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ABSTRACT

According to the Bureau of Labor Statistics (BLS), between 1981 and 1986 approximately 10.8 million persons lost jobs in a manner suggesting that the job losses would be permanent. Experienced workers with three or more years of tenure made up about 5.1 million of the total number of individuals whom BLS reports have termed "displaced workers." When such dislocation affects a large number of workers in one area, both the affected workers and their communities can be devastated. Although many employers, particularly the larger ones, appear to feel obligated to assist dislocated workers, many appear to do little, if anything, before, during, or after a mass layoff. The responses from government have also been spotty and rather narrowly focused. After examining the methods that have been adopted by other industrialized countries to facilitate the adjustment of workers dislocated by structural change, the Task Force on Economic Adjustment and Worker Dislocation concluded that the most successful dislocated worker adjustment programs are those in which employers and workers are directly involved in program design and delivery. An identifiable public agency should be available to assist dislocated workers, and linkages and coordination between public and private efforts to assist dislocated workers must be expanded. The task force formulated 10 specific recommendations for policymakers to consider in the area of worker dislocation. The document includes an extensive chart outlining federal employee protection law from 1887 to 1979. (Appendixes making up about two-thirds of the document include an evaluation of programs to assist displaced workers in foreign industrialized countries, longitudinal establishment data, BLS data, case studies, a report on private sector practices, selected references, and a dissenting view written by Richard McKenzie.) (MN)

ECONOMIC ADJUSTMENT AND WORKER DISLOCATION IN A COMPETITIVE SOCIETY

Report of the

Secretary of Labor's Task Force

on Economic Adjustment and Worker Dislocation

December 1986

Washington, D. C.

December 31, 1986

Honorable William E. Brock
Secretary
U.S. Department of Labor
Washington, D.C. 20210

Dear Mr. Secretary:

I am pleased to transmit to you the Report of the Task Force on Economic Adjustment and Worker Dislocation, which you appointed in October 1985.

The Report, entitled **Economic Adjustment and Worker Dislocation in a Competitive Society**, is the product of a year-long examination of the problem of displaced workers resulting from plant closings and mass layoffs. Our findings and recommendations are the result of many hours of discussion and debate. While views of individual members may vary on specific language and recommendations, there is general agreement on the major thrust of the Report.

I wish to express my appreciation to the Task Force members for the contributions they have made to this important study. They have identified the issues that must be addressed, by both private and public sectors, in order to improve the nation's ability to maintain a healthy, competitive economy in a way that is in accord with our traditional humanitarian values. The recommended actions set forth in the Report reflect our best judgment on how to achieve this objective.

We believe the Report and its proposals are worthy of serious and immediate attention by the Administration, the Congress and the private sector.

Sincerely,

Malcolm R. Lovell, Jr.
Task Force Chairman

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FOREWORD

By any economic measure, the United States has been the most productive country in the world. If our society is to remain productive in today's highly competitive global economy, companies and their employees must be prepared to meet the challenge of intensified competition in an efficient and humane manner.

In an environment of rapid economic change, employers may have to lay off massive numbers of workers, or perhaps close down entire plants. Such drastic action could be dictated by new technology, foreign and domestic competition, demographic shifts, changes in demand, mergers and acquisitions, or a combination of these forces. Whatever the cause, workers face serious problems when they are forced out of work.

Yet, because the American economy will continue to undergo major transitions, worker dislocations are certain to be an economic fact of life in the foreseeable future. As in the case of automobiles and steel, other basic industries are waging fierce competitive battles. Manufacturing industries, even with increased output, will offer employment to a smaller percent of the work force and the services sector will continue to provide the majority of jobs for U.S. workers, although the nature and location of service-type work will continue to change. Regional shifts in employment can be expected, resulting in job losses for some parts of the country. Changing skill requirements of jobs will place new demands on workers and their employers.

As a society, Americans attribute noble qualities to work. We feel a humanitarian responsibility to help those who are able to work to be suitably employed. We also know that it is in the national interest to keep able workers engaged in productive endeavors. While we recognize that some worker dislocation is going to occur, we must take steps to avoid unnecessary hardship and waste of human capital.

Coping with the problem is a challenge both for the private sectors in the economy as well as for public officials. It demands the best efforts not only of labor and management, but also of government at all levels, and the education and training community. These sectors, drawing on their individual resources and working in partnership with each other, offer the best hope for a workable solution.

In developing a U.S. strategy to deal with worker displacements, we can benefit from the experiences of other countries. Canada, for example, has put into place a successful program emphasizing labor-management cooperation and service delivery. In the final analysis, however, the American answer must be found within the American economic system.

Responding to the charge by the Secretary of Labor, the Task Force on Economic Adjustment and Worker Dislocation presents this report as a vehicle for arriving at such an answer.

EXECUTIVE SUMMARY

Overview

The U.S. economy is in a constant state of change. Its dynamic nature permits old goods and services and old production techniques to be replaced by new goods and services and new production techniques. Although this can be a healthy process, contributing greatly to our economic well being, a large number of business closures and permanent layoffs occur each year as a result of such changes.

According to Bureau of Labor Statistics (BLS) data, between January 1981 and January 1986 about 10.8 million persons lost jobs in a manner that suggested the job losses would be permanent. Experienced workers--those with three years or more of tenure--made up 5.1 million of the total and have been identified in BLS reports as "displaced workers."

Worker dislocation constitutes a markedly different kind of unemployment in many respects. Many displaced workers have had long periods of attachment to their employers. Frequently the jobs lost have been achieved after working many years for a single employer, and workers often have difficulty in finding jobs that pay as much at the outset, or are comparable in other ways. Displaced employees often experience significant personal adjustments in moving to new employment and new occupations, and in some cases to new locations.

When such displacements affect a large number of workers in one locality, the workers affected and their communities can be devastated. Along with the hardships come new opportunities. From an economic, social and humanitarian perspective, the issue is how to mitigate the serious dislocations generated by such changes without stifling the creative energies of America's dynamic economy.

Several surveys have been undertaken to examine the private sector's response to business closings and permanent layoffs. Many employers, particularly the larger ones, appear to feel an obligation to provide assistance to displaced workers and may have the capability to do so. On the other hand, many employers appear to do little or nothing before, during or after a closing or permanent mass layoff.

In the area of public policy, several types of adjustment assistance have been authorized by Congress which can benefit the dislocated. The largest of these programs

is funded under Title III of the Job Training Partnership Act (JTPA) and provides training and job search services. Also, several states have developed programs of their own to assist displaced workers.

In summary, responses to worker dislocation from both government and the private sector have been spotty and narrowly focused, and the United States lacks a comprehensive, coordinated strategy to deal with the problem.

Other industrialized countries have adopted methods of facilitating the adjustment of workers displaced by structural change, which have worked with varying degrees of success. The Task Force examined the experiences of several countries to evaluate their effectiveness.

Conclusions

The Task Force recognizes that some business closings and permanent layoffs are inevitable and can be a concomitant part of achieving and maintaining a competitive, healthy economy and a strong position in the international marketplace.

The Task Force believes it is in the national interest to foster, through private and public means, the reemployment of workers permanently displaced from employment.

After a thorough study of the problem of worker dislocation, the Task Force reached the following conclusions:

1. New institutional mechanisms must be established as part of the nation's employment and training system to meet the needs of dislocated workers, including those workers covered by existing programs.

2. Experience has shown that the most effective and successful dislocated worker adjustment programs are those where employers and workers (and their unions if they are present), are directly involved in the design and delivery. Public policies and programs should encourage and facilitate this assumption of responsibility, active participation, and cooperation. However, the private sector has a fundamental responsibility in relieving the problems of displaced workers.

3. Experience also has shown that the earliest notification possible leads to more effective delivery of public and private services to dislocated workers. Delivery

of public services to affected workers should begin well before shutdown or layoff if possible.

4. An identifiable public agency should be available as a resource in the event of a dislocation of workers. This agency should have rapid response capability, and should coordinate the public efforts to aid the workers. Employers should be required to notify the designated agency of the closure or large scale layoff, once announced.

5. Adequate public resources should be provided to support effective levels of readjustment services, retraining, and temporary income support.

6. Government should also provide adequate capability for gathering and disseminating knowledge and information on worker dislocation to all interested parties, and provide technical assistance and staff training services to the states, communities, businesses, and unions.

7. There should be effective linkages and coordination between public and private efforts to aid dislocated workers.

8. A variety of service options for dislocated workers should be provided, and their freedom to choose from among them maximized.

9. To ensure job mobility and employment security, many experienced workers will require improved basic educational skills and recurrent vocational training.

10. Fully meeting the needs of displaced workers and impacted communities can only be accomplished within the framework of an economy providing an adequate number of jobs.

These conclusions form the basis for the major recommendations of the Task Force.

Recommendations

The Task Force calls for action by both the private and public sectors to establish practices, procedures and programs that will provide a rapid response capability to facilitate adjustment for dislocated workers in today's intensely competitive economy.

The Task Force believes this objective can be reached through the adoption of the following recommendations:

1. Greater private sector effort is necessary to alleviate the problems faced by displaced workers and their communities. Smaller employers particularly should be encouraged to do more within their means for these workers.

2. Private organizations should continue an active and aggressive role in educating employers on what techniques work best in specific circumstances.

3. Guidelines which generally describe responsible private sector behavior on a business closing or permanent layoff should be more widely communicated to employers.

4. The Task Force recommends initiating a new national public effort, funded initially at $900 million, to provide an early and rapid response to the needs of workers permanently displaced from employment. Under this proposal, JTPA Title III would be replaced by a new federally supported and guided structure providing for state-administered training and reemployment assistance to meet the needs of all displaced workers.

5. Other services to be made available for displaced workers under this proposal include plant-specific adjustment assistance and a range of labor market services including labor market information; testing and assessment; counseling; job search training; and a client-oriented job development effort.

6. A refocusing of priorities and a redirection of resources of the U.S. Employment Service will be required to be useful to dislocated workers. The Task Force recommends that the current Department of Labor review of the Employment Service and any subsequent restructuring accommodate the service needs of dislocated workers.

7. The Task Force believes income support for dislocated workers should be of adequate duration to support substantive training and job search. Workers should have incentives to enroll earlier in training programs, and income maintenance should be continued on a reasonably necessary basis to encourage individuals to complete their training.

8. The Task Force suggests the Secretary of Labor conduct further testing and development of reemployment incentives.

9. The Secretary of Labor should encourage and evaluate experiments designed to assist individual dislocated workers in starting their own businesses and facilitate feasibility studies of enterprise purchases by groups of workers facing displacement.

10. The Task Force's preferred source of funds for this new program is general revenues. If the Congress determines it cannot fund this initiative from general revenues, the Task Force is convinced that the program is of such importance to the nation's competitive position that alternative methods of financing should be considered.

INTRODUCTION

Background

In October 1985, following consultation with members of Congress, Secretary of Labor William E. Brock launched an initiative to seek new or improved methods to deal with the problem of plant closings and mass layoffs and the resulting dislocation of workers. His action coincided with congressional consideration of H.R. 1616, a bill to mandate advance notification of a plant closing and to require consultation prior to shutdown of the plant. The bill was subsequently defeated 208-203 on November 21, 1985.

Secretary Brock established a special 21-member Task Force on Economic Adjustment and Worker Dislocation to study the issue and recommend a course of action. He designated as chairman of the independent study group Malcolm R. Lovell, Jr. of The George Washington University, former Under Secretary of Labor. Members appointed to the Task Force were broadly representative of government, industry, labor, academia and the private economic research community. In announcing the Task Force, he said: "Although our economy is enjoying healthy economic growth, American business and industry must continue to adjust to technological change, foreign competition, and other market forces that inevitably will lead to some worker dislocations."

The Charge to the Task Force

The Task Force was given this charge: "To examine the issue of plant closings and the causes and effects of worker dislocations, to evaluate current programs and policies at the Federal, State and local levels, as well as those of foreign nations, and to report its results and recommendations directly to the Secretary of Labor." Secretary Brock called on the Task Force to conduct "a much-needed, comprehensive inquiry into problems faced by American industry and workers in adjusting to the certainty of technological change, foreign competition and other market forces."

The Work of the Task Force

At its initial meeting on December 17, 1985, the Task Force decided to divide into smaller groups that would focus on specific sets of issues. Four subcommittees were created to deal with: (1) the nature and magnitude of the problem; (2) the private sector response; (3) the public policy response; and (4) foreign experience. Department of Labor staff specialists were designated to assist each of the subcommittees in their deliberations. The subcommittees met

numerous times and submitted data and concept options to the full group. The Task Force itself met regularly, discussing reports from the subcommittees as well as initiating discussion on a variety of issues. Finally a drafting committee was appointed by the chairman to oversee and approve the final text. This report is the outcome of the year-long study by the Task Force.

"Labor adjustment is a normal occurrence in a dynamic economy."
Global Competition: The New Reality[1]

I. THE NATURE AND MAGNITUDE OF THE PROBLEM

American competitiveness in the global marketplace is being rigidly tested. Countries in Europe, Asia and other parts of the world have emerged as strong challengers in international commerce. The impact of foreign competition can be measured by the loss of domestic and foreign markets and the decline of many of the country's basic industries.

Businesses and labor organizations have recognized and have been dealing with the reality of this unprecedented challenge from abroad, but the issue is so far-reaching it concerns everyone. Unless it can compete effectively, the nation cannot remain strong enough to retain a position of world leadership, maintain a rising standard of living, and adequately meet domestic and national security needs.

A key ingredient of a successful competitive strategy is human capital. As the President's Commission on Industrial Competitiveness stated in its 1985 report, "A skilled, motivated, and secure work force is a prerequisite to realizing the dual goals of productivity and quality so crucial to maintaining competitive advantage." A primary requirement in today's competitive society is the ability of both employers and workers to adapt to changing conditions.

Change in a Dynamic Economy

The U.S. economy is in a constant state of change. Its dynamic nature permits old goods and services and old production techniques to be replaced by new goods and services and new production techniques. Although this can be a healthy process, contributing greatly to our economic well being, a large number of business closures and permanent layoffs occur each year as a result of such changes.

When such closures affect a large number of workers in one locality, the workers affected and their communities can be devastated. Along with the hardships come new opportunities. From an economic, social and humanitarian perspective, the issue is how to mitigate the serious

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[1] Report of the President's Commission on Industrial Competitiveness.

dislocations generated by such changes without stifling the creative energies of our dynamic economy.

This process of change has created a population of displaced workers, distinguished from other unemployed workers by the permanence of their job loss, as well as their substantial investment in and attachment to their former jobs. While displacement affects a broad spectrum of workers, it has tended to be concentrated in certain industries, occupations and geographic areas. As a result, mismatches between job need and job opportunity frequently occur, and some workers are more likely than others to experience difficulty in finding employment similar to that which they have lost.

The Pace and Pervasiveness of Change

There is evidence that the changes occurring are fairly steady continuations of long-term trends. A prime example is the shift from goods-producing to services-producing industries. In 1970, goods-producing industries were 33 percent of nonagricultural payrolls; service-producing, 67 percent. In 1985, the proportions were 26 and 74 percent, respectively. This has been the result of a relatively smooth trendline dating at least as far back as 1960. The goods-to-services trend has resulted in a decreasing share of manufacturing employment over the postwar period, going from 34 percent in 1950 to 20 percent in 1985.

Other evidence suggests that the pace of change has accelerated in recent years. Imports have dramatically increased their penetration of U.S. markets, growing from just over 4 percent in 1948 to 13 percent in 1985. Other relatively new developments, such as the emergence of global excess capacity in key industries like steel, have changed the economic environment. In the western world, unused steel capacity was 10-12 million tons in 1974. By 1984, excess steel capacity was in the vicinity of 100 million tons.

Another indicator of acceleration is the increasing incidence of unemployment and joblessness. The overall rate of unemployment has undergone two periods of general uptrend since 1948. The first period ended in 1961; the second and even steeper uptrend began in 1970. Permanent job losses were higher during the latest recession than during any other economic downturn. More than half the rise in unemployment in the 1981-1982 recession was a result of workers being separated permanently from their jobs. In the three downturns prior to 1981, about 37 percent of the rise resulted from permanent separations.

There also has been greater volatility of changes in key economic forces, three of which are particularly indicative: Exchange rates have been particularly volatile. For example, the key yen/dollar rate was virtually unchanged from 1950-1969; from 1970 on, there have been three major downswings and two upswings in this rate. Although interest rates have been rising secularly since 1950, from 1970 onward the amplitude of swings around the trendline has visibly increased. Energy prices were relatively stable from 1950 to 1970. Since 1982, there has been a sharp fall in energy prices.

The Economy's Capacity for Creating Jobs

The U.S. economy has demonstrated substantial capacity for generating jobs. Approximately 29 million jobs have been created over the past 15 years, including 9.6 million between 1980 and 1986. This is in contrast to most other industrialized countries which have either been unable to add new jobs or have experienced actual declines in total employment.

Most of this employment growth is in the service industries, which range across a very broad spectrum of low-paying, low-skill jobs to high-paying, high-skill jobs.

Effects of Change on Workers

Many different types of changes affecting workers are taking place simultaneously. The entire process is so complex that controversy over net effects can be expected to continue for some time. What is known so far suggests that at least two opposite, yet related, shifts are occurring: the changing mix of industries (from manufacturing to services) indicates a shift away from higher-paying toward lower-paying jobs; and the changing mix of occupations in both goods-producing and services industries shows a move away from lower-paying to higher-paying jobs (more administrative and managerial).

The question of whether workers are better or worse off as a result of the combined effects of these and other important changes in the economy--such as the changing demographic mix of the workforce, the changing mix of compensation, and the slowdown in productivity growth--is not easily answered. Different measures show different results. For example, average real hourly and weekly earnings (wages for production and nonsupervisory workers only) declined 9 percent and 14 percent, respectively, from 1972 to 1985. But real compensation per hour (wages and salaries plus benefits, lump sums, profit-sharing and

employer contributions for all workers) grew four percent during the same period.

Displaced Workers

In arriving at a definition of what constitutes displacement, the Task Force attached importance to three elements: permanence of job loss, attachment of the worker to the work force, and the quality of adjustment experienced by individual workers.

Operational definitions vary widely. The Bureau of Labor Statistics (BLS) defines displaced workers as persons who lost their jobs due to plant closings, slack work, or position or job abolished, and who had significant attachment to their former positions (at least three years tenure). Using the BLS definition, the empirical magnitude of the problem becomes apparent. A special survey sponsored by the Department of Labor's Employment and Training Administration showed that 5.1 million workers were displaced between January 1979 and January 1984. A second survey, covering the five-year period from January 1981 to January 1986, again counted 5.1 million displaced workers who had been at their jobs for at least three years.

Other definitions produce different totals. (See Figure 1, matrix of definitions.) All adult workers whose jobs were abolished in the latter five-year period, regardless of length of employment, totaled 10.8 million. Currently unemployed adults whose jobs were permanently abolished and who have been unemployed for more than 52 weeks were estimated at 318,000 in 1986.

Characteristics of Displaced Workers

The Labor Department surveys produced a quantity of useful data about displaced workers. Some of the principal findings were as follows:

-- Almost 50 percent had lost jobs in manufacturing, mostly in durable goods, such as primary metals, transportation, equipment and machinery.

-- Occupationally, they were disproportinately blue collar workers, both skilled and unskilled, especially operators, fabricators and laborers.

-- The population was heavily concentrated in the Midwest and other areas with heavy industry.

-- More than one-half of the displaced workers who were reemployed were no longer in the industry or occupational group from which they had been displaced.

FIGURE 1. CHARACTERISTICS OF DISPLACED WORKERS SELECTED DEFINITIONS OF DISPLACEMENT, JANUARY 1986

DEFINITION #1: Adult workers (20+) whose jobs have been abolished during previous 5 years

- o Lost/left because of plant plant closing slack work, abolished job or shift
- o Tenure: no criterion
- o Includes those over 65, no distinction between loss of full-time vs part-time job

Affected: 10,837,000

Characteristics

- o Job status: 67% re-employed at time of survey, 19% unemployed, 14% left workforce
- o Age: 11% over 55
- o Sex: 62% male
- o Race: 87% white
- o Industry: 43% mfg
- o Occupation: 53% blue collar
- o UI: 54% received
- o Health ins: 60% had, 39% have

DEFINITION #2: Workers of regular working age (20-61) whose full-time nonfarm job had been abolished (Based on January 1984 survey)

- o Lost/left job because of plant closing, slack work abolished job or shift
- o Tenure: no criterion, but lost job must have been full-time

Affected: 9,546,000

Characteristics

- o Job status: 64% re-employed at time of survey, 25% unemployed, almost 11% left workforce
- o Age: N/A
- o Sex: 66% male
- o Race: 91% white
- o Industry: 44% mfg
- o Occupation: 60% blue collar
- o UI: about 2/3rds received
- o Health ins; 70% had, 40% have

FIGURE 1. CHARACTERISTICS OF DISPLACED WORKERS SELECTED DEFINITIONS OF DISPLACEMENT, JANUARY 1986

DEFINITION #3: Experienced workers whose jobs were abolished

- o Lost/left job because of plant closing, slack work, abolished job or shift
- o Tenure: 3 or more years on lost job

Affected: 5,130,000 (sensitive to tenure cutoff: 2 year raises to 6.7 million, 10 year lowers to 1.7 million)

Characteristics

- o Job status: 67% re-employed at time of survey, 18% unemployed, 15% left workforce
- o Age: 19% over 55
- o Sex: 65% male
- o Race: 87% white
- o Industry: 50% mfg
- o Occupation: 56% blue collar
- o UI: 66% received
- o Health ins: 78% had, 52% have

DEFINITION #4: Workers with at least moderate attachment to a job lost to plant closing

- o Lost/left job because of plant closing
- o Tenure: 3 or more years on lost job
- o Does not specify full-time vs. part-time, age of worker

Affected: 2,809,000 (also sensitive to tenure cutoff)

Characteristics

Job status: 69% re-employed at time of survey, 15% unemployed, 16% left workforce

- o Age: 22% over 55
- o Sex: 63% male
- o Race: 87% white
- o Industry: 51% mfg
- o Occupation: 58% blue collar
- o UI: 63% received
- o Health ins: N/A

FIGURE 1. CHARACTERISTICS OF DISPLACED WORKERS SELECTED DEFINITIONS OF DISPLACEMENT, JANUARY 1986

DEFINITION #5: Currently jobless adults who lost/left job because plant has closed

- o job loss: limited to plant closing
- o Tenure: no criterion
- o No distinction between full-time vs. part-time

#Affected: 1,561,000

Characteristics

- o Job status: 0% employed at time of survey, 50% unemployed (actively seeking work), 50% no longer in labor force
- o Age: 25% over 55
- o Sex: 51% male
- o Race: N/A
- o Industry: 47%mfg
- o Occupation: 55% blue collar
- o UI: 57% received
- o Health ins: N/A

DEFINITION #6: Currently unemployed adults whose jobs have been abolished and who have not been readily absorbed by other job openings

- o Lost/left job because of plant closing, slack work, abolished job or shift
- o Unemployment: currently unemployed and have experienced more than fifty-two weeks of unemployment since job loss
- o Tenure: no criterion

#Affected: 318,000

Characteristics

- o Job status: 0% employed at time of survey, 100% unemployed (Actively seeking work), 0% no longer in labor force
- o Age: 16% over 55
- o Sex: 69% male
- o Race: N/A
- o Industry: N/A
- o Occupation: N/A
- o UI: 73% received
- o Health ins: N/A

FIGURE 1. CHARACTERISTICS OF DISPLACED WORKERS SELECTED DEFINITIONS OF DISPLACEMENT, JANUARY 1986

DEFINITION #7: Currently unemployed experienced adult workers whose jobs have been abolished

- o Lost/left job because of plant closing, slack work, abolished job or shift
- o Currently unemployed for past fifty-two weeks or more
- o Tenure: 5 years on last job

Affected: 142,000

Characteristics

- o Job status: 0% employed at time of survey, 100% unemployed (actively seeking work), 0% no longer in labor force
- o Age: 26% over 55
- o Sex: 67% male
- o Race: N/A
- o Industry: N/A
- o Occupation: N/A
- o UI: 91% received
- o Health ins: N/A

How workers adjust to being dislocated is an important factor in determining the scope of the problem. The Labor Department surveys yielded significant information about reemployment experience, length of time without work, use of unemployment insurance benefits, and loss of earnings.

As of January 1986, 67 percent of those displaced during the preceding five-year period were reemployed. (Two-thirds of this group had been reemployed within six months after being displaced.) There were 18 percent unemployed, and 15 percent had left the work force. Improvement was noted between the 1984 and 1986 surveys. The earlier study showed 60 percent reemployed and 25 percent unemployed as of January 1984.

The January 1986 report revealed a wide range of weeks without work. Twenty-seven percent of the displaced population were jobless less than five weeks, but on the other hand, 19 percent were without work for more than one year. Additionally, the survey showed the following data:

MEDIAN WEEKS WITHOUT WORK

-- Total displaced worker population	= 18.3 weeks
-- Those employed as of 1/86	= 12.5 weeks
-- Those unemployed as of 1/86	= 20.5 weeks
-- Those not in labor force as of 1/86	= 53.8 weeks

Of those displaced between January 1979 and January 1984, 69 percent had received Unemployment Insurance (UI) benefits; 48 percent had exhausted their benefits as of January 1984. Fifty-two percent of the UI recipients who were unemployed as of January 1984 had exhausted their benefits at that time.

Of the 5.1 million workers displaced between January 1981 and 1986, 4.0 million (77.5 percent) were included in a group health insurance plan on the lost job. Of these 4.0 million workers, 2.7 million (67 percent) were covered by group health insurance in January 1986. Of the 678,000 workers who were unemployed in January 1986 and had been included in group health insurance on the lost job, 405,000 (60 percent) were no longer covered by any group health insurance in January 1986.

Econometric studies based on the 1984 displaced worker survey showed average real earnings losses of 10 to 15 percent upon reemployment for all workers displaced from full-time jobs. Nearly 30 percent of reemployed blue collar workers and 24 percent of reemployed white collar and service workers had losses of 25 percent or more.

Certain characteristics were associated with earnings differences. Older and higher tenure workers and workers with less education were more likely to experience earnings losses. The losses were greater in areas of high unemployment and in small labor markets, and they were particularly large for blue collar workers displaced from well-paying unionized industries. There were generally greater earnings losses for workers who became reemployed in a new occupation or industry, especially for blue collar males. Workers with long spells of joblessness returned to jobs paying much less than their former rate; each additional week of joblessness was associated with .3 to .4 percent lower earnings in the new job.

The econometric evidence based on the 1984 survey also showed that the length of joblessness varied according to particular characteristics of the population, as follows:

-- Education: Higher levels of educational attainment significantly reduced the duration of joblessness for all groups.

-- Race: Black workers on the average had a much longer spell of joblessness than white workers.

-- Age: Older workers generally had longer periods without work following displacement.

-- Gender: Women on average had a longer spell of joblessness than men.

-- Local economic conditions: Each additional percentage point of unemployment added one to four weeks of joblessness.

-- Tenure on previous job: Longer tenure was correlated with longer spells of joblessness.

Displaced Workers and Other Unemployed

Although there are similarities, for the most part problems of dislocated workers are different from others who are unemployed. Compared to the workforce as a whole, displaced workers endure a significantly longer duration of unemployment. There is a much smaller fraction of displaced workers in the 1-4 week duration category and a much larger fraction in the 15-26 week category.

Occupational mobility is higher for displaced workers than for the regular workforce. Approximately one-half of those displaced workers reemployed as of January 1984 had made a major occupational change, compared to 5 percent for other workers during the preceding year.

Manufacturing has a disportionately high number of displaced workers. Only 20 percent of all employed workers and approximately 23 percent of all unemployed are

associated with manufacturing, but 50 percent of the displaced workers were drawn from that industry segment.

Two other factors contribute to the special nature of dislocated worker unemployment. Jobs lost are often perceived as especially good jobs, for which the individual worked many years for one employer to achieve. Also, extraordinary emotional adjustments are required as life plans and goals are changed abruptly.

Reasons for Displacement

Roughly half of dislocated workers lose their jobs due to a plant or company being closed down or moving. Looking at dislocated workers with at least three years of tenure, BLS found that 2.4 million and 2.8 million workers, respectively, lost their jobs due to a plant closing in the 1979-83 and 1981-85 periods, of whom 42 percent were in the manufacturing sector.

A study of changes in manufacturing employment prepared for the Department of Labor using the Census Longitudinal Establishment Data (LED) File showed that 27.6 percent of the manufacturing plants existing in 1977 were not operating in 1982. This rate of failure was higher than the 1972-77 period (25.6 percent), but lower than the 1967-72 peak (33.2 percent). Between 1977 and 1982 about 2.6 million jobs were lost in plants that failed. Job losses from failures (-2.6 million) were somewhat greater than job gains from new plants (2.5 million). Most of the net loss of 1.1 million jobs, however, was a result of the difference between job losses in declining plants (-2.7 million) and job gains in growing plants (1.7 million). Multi-unit establishments accounted for two-thirds of gross job loss due to failures and 65 percent of new jobs in new plants in 1977-82. Almost all of the net loss occurred in multi-unit establishments and was a result of the difference between job losses in declining plants (-2.4 million) and job gains in growing plants (1.4 million).

A Problem Demanding a Response

The permanent displacement of some jobs is an inevitable consequence of a dynamic world economy. Plant closings and permanent layoffs can reflect the strategic flexibility needed to keep the U.S. economy competitive and growing. It is also apparent that losing experienced employees from the work force further weakens overall U.S. productivity. Moreover, having these people out of work places an additional drain on public funds.

The problem, therefore, is not one for industry, or labor, or government, alone. Rather it is the concern of every citizen. Protecting the country's investment in human capital ensures a more productive, more fully employed society for all.

The Task Force believes that worker dislocation is a problem that will not simply disappear if nothing is done; nor is it so immense that it defies resolution. The problem is of sufficient magnitude and urgency that it demands an effective coordinated response with special priority by both the public and private sectors.

"Labor is the great source from which
nearly all, if not all, human comforts
and necessities are drawn."
Abraham Lincoln[2]

II. MEETING RESPONSIBILITIES: PUBLIC POLICY AND THE PRIVATE SECTOR

Recognizing the inevitability of some worker dislocation as a concomitant part of achieving and maintaining a competitive, healthy economy, the Task Force believes it is in the national interest to foster, through private and public means, the reemployment of workers permanently displaced from employment. The ability of the U.S. economy and U.S. workers to respond quickly and effectively to emerging work and new jobs is a strong competitive asset; it should be supported and enhanced. Further, fully meeting the needs of displaced workers and impacted communities can only be accomplished within the framework of an economy providing an adequate number of jobs.

Although worker displacement has been an increasingly serious problem for several years, the United States lacks a comprehensive, coordinated strategy to deal with it. Responses from both government and the private sector have been spotty and narrowly focused.

PAST AND PRESENT EXPERIENCE

Private Response Studies

The private sector's response to closings and permanent layoffs has been examined in a number of surveys. Individual case studies involving both union and non-union companies provide examples of plant closing and mass layoff situations. These studies illustrate that varying circumstances give rise to a closing or mass layoff and that dislocations occur in vastly different economic surroundings. They show a wide array of voluntary approaches that have worked to facilitate worker readjustment and to mitigate the impact on the work force and the community. The cases examined are examples of successful practices and illustrate a willingness on the part of some elements of the private sector to provide assistance to displaced workers. A general impression from reviewing these cases is that clear notice in advance, the earlier the better, is effective in accelerating worker adjustment. This is especially true when notice is coupled

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[2] Speech at Cincinnati, Ohio September 17, 1859.

with no loss of severance benefits for early leaving and aggressive joint labor-management outplacement effort.

The General Accounting Office (GAO), the congressional Office of Technology Assistance (OTA), the Conference Board and other organizations have conducted broad general studies. Although different in their methodologies, results and reliability, these studies reflect the kinds and degree of services, benefits and assistance provided to displaced workers.

Available data is sufficient to raise questions about the adequacy of the private response. Because circumstances for each closing or layoff situation are so varied, questions are raised on the reliability of the data. Many employers, particularly the larger ones, appear to feel an obligation to provide assistance to displaced workers and may have the capability to do so. This assistance is often the result of pre-existing contracts or personnel policies. On the other hand, many employers appear to do little or nothing before, during or after a closing or permanent mass layoff. This may result from labor-management relationships; the lack of contract provisions or personnel policies prior to the action; industry practice; financial condition; or small size and limited resources of the enterprise.

Public Policy Measures

Congress has authorized several types of adjustment assistance which can benefit the dislocated. These include training and job search services funded under Title III of the Job Training Partnership Act (JTPA). Income maintenance is available through the Unemployment Insurance (UI) program, and labor market information and job search assistance through the U.S. Employment Service. (The latter two programs were designed for cyclical unemployment and apply to all workers.) Additionally, the Trade Adjustment Act (TAA) provides training and income support for workers displaced because of trade judgments, and several laws were passed to deal with workers in specific industries. (A description of employee protection provisions enacted into federal law is included as Figure 2.) Several states have developed programs of their own to assist displaced workers. These include California, Delaware, Illinois, Indiana, Massachusetts, Michigan, New Jersey and New York.

The Department of Labor has established a small Industrial Adjustment Service unit in the Bureau of Labor Management Relations and Cooperative Programs. This unit has conducted industrial adjustment workshops with 15 states, several international unions, and companies and

Figure 2

EMPLOYEE PROTECTION PROVISIONS ENACTED INTO FEDERAL LAW
In Chronological Order
1887 to 1979

	Eligibility	Benefit Amount	Duration	Other Benefits	Funding Source	Cost
ommerce 1(5) nended so 976 to e Rail ervice	Any railroad employee affected by transaction involving a railroad carier of carriers, such as merger and consolidation.	Income protection option: Monthly income to equal former wages, reduced by any UI or any income from other employment. Severance payment option: 3 months pay for 1-2 years service; 6 months pay for 3-5 years: 12 months pay for over 5 years.	Equal to worker's length of service up to a maximum of 3 years.	All relocation expenses. If employee is furloughed within 3 years of relocation and chooses to return to site of previous employment, railroad will pay all relocation expenses.	Benefits funded by the railroads involved.	Not available.
mploy- ce	New employees: At least 5 months of employment and earnings of at least $1,000, with not more than $400 earned to be counted per month. Others: at least 3 months of employment and earnings of at least $1,000, with not more than $400 earned to be counted per month.	60 percent of daily wage rate up to $250 for a 14-day period. Minimum of $12.70 per day	130 compensable days. Extended duration for employees with 15 years service, 26 weeks; with 10-14 years, 13 weeks with less than 10 years, 13 weeeks only in periods of high unemployment (4 percent IUR). Benefits may not exceed base year wages.	Cash sickness benefits (including maternity benefits).	Payroll tax on railroad employers.	For FY 1986 $220.4 million gross certified. 105,064 UI applications, 62,440 sickness applications.

	Eligibility	Benefit Amount	Duration	Other Benefits	Funding Source	Cost
tions s of Law sec. the w 97- sec.	—	—	—	—	—	—
ans- of aw	Any employee affected by Federal UMTA grants to a public body to improve mass transportation.	Provisions identical to the IC Act of 1887, as ammended.	Provisions identical to the IC Act of 1887, as ammended.	Paid training and retraining. Reemployment priority. Continuation of collective bargining rights. Preservation of rights and benefits under existing bargining agreements.	Public bodies receiving UMTA grants.	No substantial cost. Only $10,000 has been expended since 1964. The maximum coverage of this program is 250,000 to 300,000 jobs.

	Eligibility	Benefit Amount	Duration	Other Benefits	Funding Source	Cost
Eco- ment sec. d in c	Individuals employed in area determined by the Secretary of Commerce as experiencing (or threatened by) a rise in unemployment or other economic problems, or an area that has demonstrated long-term economic deterioration.	Up to maximum UI benefit payable in State. Reduce by any UI received.	Maximum duration of 1 year after unemployment begins.	relocation expenses including travel and living expenses plus compensation for loss of selling house (or and amount equal to closing costs) plus payments for loss due to cancellations of lease.	Congressional appropriations.	No money expended as yet.
round on Act ic Law USC 1631. of 1964 the een	—	--	--	--	--	--

	Eligibility	Benefit Amount	Duration	Other Benefits	Funding Source	Cost
n Cities itan Act of 1966 89-754), as the National otation ct of 1974. A of 1964 t the been	--	--	--	--	--	--
er of 1970 ic Law SC 501	Employees adversely affected by National Rail Passenger Service's (Amtrak) takeover of intercity rail operations.	Income protection option: Monthy income to equal former wages reduced by any UI or income from other employment. Fringe benefits also preserved. Severance payment option: 3 months pay for 1-2 years; 6 months pay for 2-3 years; 9 months pay for 3-5 years; 12 months pay for over 5 years.	Up to 72 months.	Training and retraining. Reemployment priority. Preservation of collective bargining rights and benefits.	Railroads absorbed by National Rail Passenger Corp. are responsible for absorbing the cost.	Records not readily available.

	Eligibility	Benefit Amount	Duration	Other Benefits	Funding Source	Cost
n Act lic 5 USCA	Workers adversely affected because of railroad reorganization.	100 percent of average pay for prior 12 months. Reduced by any UI or railroad earnings and by 50 percent of any other earnings. Separation allowance up to $20,000 depending upon years of service, age, position.	Until age 65 for workers with 5 or more years service; period equal to prior service for those with fewer than 5 years.	Relocation expenses including travel and living expenses plus compensation for loss in selling home (or an amount equal to closing cost), plus loss due to cancellation of lease.	Railroad Retirement Board reimburses carriers for benefits.	Since the 1981 amendments costs have been $138 million, involving 14,281 applicants.
ighway Public USC	Employee affected by urban mass transportation projects supported by Highway Trust Fund and Interstate Transfer moneys. This Act merely extended UMTA of 1964 coverage.	Same as UMTA of 1964.	Same as UMTA of 1964.	Mass transportation entity involved, under guidelines as approved by Secretary of Labor.	Entity involved.	See UMTA of 1964.

	Eligibility	Benefit Amount	Duration	Other Benefits	Funding Source	Cost
1974 93-610).	Workers certified as adversely affect by increase in imports and either laid off or on 80 percent or less of average weekly wage and hours. Qualifying work: 26 to 52 weeks in adversely affected work at wages of at least $30 per week.	70 percent of worker's average weekly wage with maximum equal to national average weekly manufacturing wage. Reduced by any UI received and by 50 percent of any wages received.	Maximum of 25 weeks in a 2-year period or, if worker is over 60 or in training, 78 weeks in a 3-year period.	Relocation allowances (80 percent of moving expenses plus maximum $500 lump summ), training (allowances plus travel and subsistance expenses), job search (80 percent of transportation and living expenses up to $500 while looking for work).	Federal general revenues through congressional appropriations.	FY 1985 costs $75.8 million with 30,332 participants. FY 1986 costs $150.6 million and the number of participants is not yet available.
ief Act lic Law	Workers unemployed as direct result of major disaster declared by President at request of Governor.	Act authorizes President to provide appropriate payment. Regulations provide weekly benefit equal to UI individual would have received if all wages were covered. Reduced by any UI or wages received.	Maximum duration of 1 year beginning with date disaster is declared.	Relocation expenses plus grants (up to $5,000) for necessary expenses plus rental or mortgage payments up to 1 year, plus cost of minor home repair.	Appropriated as required annually by congress.	In FY 1985 costs were $11.0 million, with 22,026 first payments made.

e	Eligibility	Benefit Amount	Duration	Other Benefits	Funding Source	Cost
ustice and y Pre- t of 1974 w 93-415). ated to 64, but er funded ogram has ntinued.	Employees affected by the deinstitution- ization of juvenile delinquents.	--	--	--	--	--
tal Dis- Services ties Act ublic Law No longer e program iscontinued.	Employee who is affected by the deinstitutionalization of the develop- mentally disabled	--	--	--	--	--
5						
alth reve- g Act of ic Law rogram iscontinued.	Employees affected by deinstitutional- ization of the mentally ill.	--	--	--	--	--

e	Eligibility	Benefit Amount	Duration	Other Benefits	Funding Source	Cost
3						
ments of ic Law rogram by JTPA.	Unemployed individual in area of large-scale unemployment with no reasonable expectations of local employment and a bonafide employment offer.	--	--	--	--	--
regulation 3 (Public) through 989.	Workers with at least 4 years employment with air carrier and laid off by reason of the carrier experiencing a bankruptcy or major contraction (7 and a half percent or more reduction in full time employees) caused in major part by this act.	Secretary of labor in consultation with the Secretary of the Treasury authorized to determine amount proposed. Regulations provide monthly benefit equal to 70 percent of monthly wages (after Federal income taxes and FICA) paid during the recent 12-month period. With a maximum of 66.6 percent of average wage in industry. Reduced by any UI received.	Maximum of 72 months.	Relocation expenses including compensation for loss in selling property or in cancelling a lease. Retention of seniority and recall rights plus first right of hire with other air carriers.	Employee protection account; congressional appropriations.	No funding to date. No rules on disbursement of benefits has been issued.

	Eligibility	Benefit Amount	Duration	Other Benefits	Funding Source	Cost
act k (1978) 5-250. red 84.	Workers on layoff or downgrading between May 31, 1977 and Sept. 30, 1980, from employer engaged in harvesting or processing timber at park area.	--	--	--	--	--
ilroad Act c Law ugh 4. red.	Workers laid off from the Milwaukee Railroad.	--	--	--	--	--
ing and evelop- nts of Law	Workers terminated because of discountinuation of hospital services.	Termination payment only.	--	Protection against worsening of position, protection of fringe benefits, retraining.	Institutions involved through Federal grants.	No funds expended as of yet.

unions jointly. It is also engaged with the National Governors' Association and six states in an experimental program testing the adaptability of the Canadian approach in six plant closings or major layoffs. Publications of exemplary cases have been widely distributed, highlighting the successful use of joint labor-management committees in facilitating outplacement and retraining of dislocated workers.

Foreign Experience

As part of its study, the Task Force examined and evaluated the experiences of several industrialized countries in facilitating the adjustment of workers displaced by structural change. The particular focus was on measures taken in countries belonging to the Organization for Economic Cooperation and Development (OECD), which includes Canada, Japan, most western European countries, Australia, and New Zealand, as well as the United States.

The basic premise in most of these countries is that change will occur, that there will be movement from declining to growing industries or from old to new jobs, and that it would be to a country's competitive advantage to achieve this transition as rapidly as possible. It is important on economic grounds as well as from a social standpoint.

The evaluations indicated that the success of adjustment programs tried in other countries varied widely. One key point was that advance notification was a useful and important first step in providing time for workers to find alternative employment or training before layoff and in reducing industry and community reluctance to accept change. Employment adjustment services were recognized as good strategy in helping workers move from old jobs to new jobs. Reinforced job-seeking assistance was cost-effective in helping displaced workers with little experience in job-seeking. In general, starting the adjustment process early, targeting or concentrating the assistance on the industries or communities most in need, and coordinating the delivery of employment services at the plant level appeared to produce the best results.

From the point of view of reemployment of displaced workers in permanent private sector jobs, some programs were not very effective, although they may have served other socially desirable purposes. For example, mobility programs were generally not utilized since displaced workers were reluctant to relocate. Income maintenance programs were useful for maintaining purchasing power but did not shorten the duration of unemployment. Public service employment was

good for workers morale and building up community infrastructure, but there was little flow from public sector jobs to private sector jobs. And temporary wage subsidies did not create jobs and may have simply redistributed existing employment opportunities.There are some innovative programs in Great Britain and France in which unemployment insurance benefits are being capitalized and given to displaced workers to become entrepreneurs.

Of all the foreign endeavors studied, the quick response capability of the 25-year-old Canadian Industrial Adjustment Service (IAS) appeared to offer the highest degree of replicability for the United States. The Task Force recognized, however, that the Canadian approach is conducted in a different framework.

CANADIAN INDUSTRIAL ADJUSTMENT SERVICE

The Canadian Industrial Adjustment Service (IAS) is a small, publicly financed national organization with a highly professional staff of 60 persons, with a headquarters in Ottawa staffed by only 3 persons and the rest assigned to regional field offices strategically located throughout the country. These professionals serve as advisors, consultants, catalysts, expediters, facilitators, and sources of information to employers, unions and workers in setting up joint labor-management approaches for worker dislocations due to technological and other industrial changes, including problems of mass layoffs and plant closings. The professional staff are uniquely qualified for this work. They are specially recruited, having extensive knowledge and personal experience in business, and paid accordingly.

The Canadian IAS has five premises: (1) Adjustment should occur in advance of rather than after a plant closing or mass layoff, thus minimizing disruption of the workers' lives. (2) Time for research and planning is necessary and, therefore, advance warning is essential. (3) Adjustment is best accomplished by joint action by those directly involved; hence, employer-worker joint committees must engage in private adjustment measures. (4) The role of government is to encourage and support, not supplant, private means. (5) Participation in IAS programs is voluntary.

The Canadian government reimburses the employer for up to one-half of the costs incurred by an employer/worker committee which is established by formal agreement of the firm, the union (if any) and the national and provincial governments. The committees are composed of management and labor members with a non-affiliated chairman and an ex-officio IAS member. Full reimbursement is available to employers in bankruptcy, and to worker committees where the employer chooses not to participate.

The impartial chairman, who has no personal stake in the outcome, mediates between the parties as necessary, aids the search for joint solutions, helps the parties implement their decisions, provides organization and advice and presents a final report. The committees avoid all involvement in industrial disputes or collective bargaining.

The IAS conducts its own mobility program to encourage employers, upon committee recommendations, to transfer workers to jobs in other localities with the government paying one-half the cost. The employer/worker committee has the advantage of knowing the company's suppliers, customers and competitors as well as having a network of other private contacts. The committee also knows the workers, their skills and their aspirations.

The Canadian organization also can assist employers with problems of turnover, employment instability, labor shortages, expansion and recruitment, as well as layoff adjustment.

(A detailed report on foreign experience is attached as Appendix A.)

The Task Force drew upon relevant foreign experience in formulating its recommendations.

The Advance Notice Question

The Task Force is in general agreement that advance notification to employees and the community of plant closings and large scale permanent layoffs is good employer practice, when coupled with a comprehensive program of counseling, job search information, and training. Used in such a way, the notification period allows both individuals and the community to adjust to the process of change.

The Task Force is in agreement with other studies that have concluded that advance notification is an essential component of a successful adjustment program. In a recent report the Conference Board noted that "both survey and interview participants note that advance notice is beneficial to employees and is an essential element in a plant-closure program," because notice facilitates greater program participation and because "a functioning plant is, perhaps, the program's single most important resource." The Office of Technology Assessment has recently reported that representatives of business, labor, communities and public agencies broadly, although not unanimously, agree that advance notice is an important element in helping displaced workers find or train for new jobs.

While recognizing the enormous diversity of circumstances leading up to plant closings and large scale permanent layoffs and the difficulty, in some cases, of providing timely advance notice, the Task Force agrees that employers should give special attention to easing the transition of dislocated employees to new work. Many of the fears regarding advance notification have not been realized in practice. In this regard the Task Force found no evidence that the productivity of the work force is adversely affected during a notification period.

The comprehensive program to support workers and improve the quality of adjustment to new work that we are recommending may encourage more employers to provide advance notice of plant closings and mass layoffs. It is also true that a recent General Accounting Office survey indicates that in too many plant closings and permanent mass layoffs, insufficient advance notice of job loss is given to make possible an optimal private and public role in the reemployment process.

The Task Force discussed but could not reach consensus on the best method for ensuring that advance notice is provided wherever possible. It is agreed that advance notice is not possible in all situations. Some members hold the view that voluntary notification vigorously promulgated, as opposed to regulations, is the better way to ensure rapid and tailored response to varying market conditions and employee needs. Other members, emphasizing the importance of advance notice to a successful adjustment process, recommend legislative requirements which will ensure that the provision of notice will be the rule rather than the exception.

* The discussions which led to these conclusions were based on a comprehensive review of several studies, including: Dislocated Workers: Extent of Business Closures, Layoffs, and the Public and Private Response, U.S. General Accounting Office, Washington, D.C., 1986; Ronald E. Berenbeim, Company Programs to Ease the Impact of Shutdowns, The Conference Board, New York, N.Y., 1986; and Plant Closing: Advance Notice and Rapid Response, U.S. Congress, Office of Technology Assessment, Washington, D.C., 1986.

"I believe that we as a nation owe an obligation, as well as a helping hand, to those who pay the price of economic readjustment."

President Ronald Reagan[3]

III. TOWARD IMPROVED ADJUSTMENT ASSISTANCE

Factors Affecting Private Response

In the United States, circumstances vary for private sector responses, and the degree of successful placement of laid off or displaced workers will be affected by a number of factors. These include availability of public service assistance and professional help to complement private sector response, and general economic conditions in the labor market for displaced workers at the time of the layoff or closing.

The Task Force noted the following factors to be considered in the design of the private sector response:

-- Characteristics of dislocated workers, including their basic skill, age, length of service, and current earnings.

-- Existing benefit programs and geographic mobility of workers.

-- Business financial condition, the company's future, industry trends, contractual commitments and business circumstances.

-- Size of the closing business, industry type, number of professional/managerial staff available, single vs. multiplant, direction of company, etc.

-- Industry, community and regional employment prospects for workers. The income experience of the workers, similarity of available and "lost" jobs, and projected growth and future of the affected community also should be taken into consideration.

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[3] National Conference on the Dislocated Worker, April 1983.

Particular attention should be paid to categories of workers who experience the greatest difficulty in readjustment. These include workers over age 40, minorities and women, especially if any of them have limited education and/or skill. Also to be considered is the probability of placing the above categories of workers in jobs in small labor markets and areas of high unemployment (each percentage point of unemployment adds 1-to-4 weeks of joblessness).

Responsible Behavior Guidelines

There are, nonetheless, a set of guidelines which generally describe responsible private sector behavior on a closing. The extent to which they apply in a specific situation will vary with the circumstances. These guidelines include steps which can be taken during both pre-closing layoff planning and post-announcement programs and planning.

Pre-closing/layoff Planning

1. Determine the company's obligations under any existing collective bargaining agreements or other contracts, or federal, state or local laws.
2. Where business circumstances permit and joint discussions could reasonably be expected to develop practical alternatives to closure and/or layoff, such opportunities should be explored among management and representatives of the workers and the community.
3. To enhance the prospects for the success of adjustment assistance for displaced workers, advance notice of plant closings and/or significant layoffs should be given to workers, employee representatives, and state, local and community officials, with due consideration to the business, worker and employment factors previously listed.
4. Establish a committee immediately to coordinate the closure/layoff program.
   a. Communicate with workers, employee representatives and the community-at-large on issues affecting the workforce.
   b. Seek financial assistance from federal, state and/or local governments to fund displaced worker programs.
   c. Stagger layoffs to facilitate absorption into the job market (if possible, and consistent with labor agreements).
   d. Where possible, allow flexibility for workers to schedule interviews with prospective employers.
   e. Explore worker relocation provisions to allow

inter-plant transfers.

5. Provide adjustment assistance.
   a. Review and communicate severance pay policies (as per personnel policies and/or collective bargaining agreements) to affected workers.
   b. Consider pension policies, programs and/or collectively bargained agreements to allow for liberalization through early vesting, benefit eligibility, extending pension credits, etc.
   c. Extend health care and life insurance coverage to the affected workers and/or provide options for workers to continue their coverage.

Post-announcement Programs and Planning

1. Utilize a joint worker-management committee to focus on outplacement activities.
   a. Initiate a community action team involving: elected officials, representatives from social service programs; religious, labor and business organizations; state and local employment agencies; and community college and vocational education program representatives to assist displaced workers.
   b. Consider monetary or in-kind contributions to an adjustment assistance center that will operate for a period of time after the closing to assist workers during the transition.
   c. Work with appropriate private and government agencies to ensure they complement and play a supportive role in the outplacement process.
2. Outplacement activities for consideration include:
   a. Possible use of professional outplacement consulting firms.
   b. Job clubs, job search training and other job search activities.
   c. Active identification of job openings, especially within the community, by the employer with the assistance of the community action team.
   d. Provide intake and assessment services to identify workers' skill and education levels for reemployment.
   e. Assisting in resume and interview preparation.
   f. Counseling for displaced workers and their families.
   g. Coordinating retraining, on-the-job training, and/or education programs for displaced workers.
   h. Providing a job placement and referral service.

These guidelines for responsible behavior need to be communicated widely to the private sector.

Improving the Private Response

Greater private sector effort is necessary to alleviate the problems faced by displaced workers and their communities. The Task Force encourages private organizations, many of whom have taken steps to educate employers on what techniques work best in specific circumstances, to continue an active and aggressive role. Smaller employers particularly should be encouraged to do more within their means for displaced workers. Better information and data need to be developed on the nature and extent of the problem for the future.

New Public Policy Initiative

The Task Force recognizes and commends the efforts put forth by a number of private employers to facilitate the reentry into the work force of displaced workers. Because of the magnitude and scope of the problem, a comprehensive solution can be found only through the combined efforts of labor and management and government at all levels, supported by soundly-constructed public policy and resources sufficient to ensure successful implementation.

To establish a foundation for a strong public-private partnership, the Task Force recommends initiating a new national effort to provide an early and rapid response to the needs of workers permanently displaced from employment.

Summary of Proposal

By means of this initiative, a rapid response capacity to deal with plant closings and mass layoffs would be put in place. Services would be made available to all workers permanently displaced as a result of plant closings and large-scale layoffs, and to other workers who are on permanent layoff and have substantial work experience. The program would offer a variety of traditional reemployment services to displaced workers but would emphasize early on-site intervention, more efficient coordination of assistance, and a focus on services (such as testing and assessment, counseling, basic education, and on-the-job training) most likely to result in high quality adjustment to jobs in new industries and occupations.

The new program would be administered by state governors under guidelines established and monitored by the U.S. Department of Labor to ensure that the program is achieving its objectives. The current JTPA dislocated worker program would be superseded by this new program.

The new initiative would be financed by the fullest utilization of existing resources from some programs, augmented by additional financing from general revenues or alternative sources.

Organizational Structure

The Task Force proposes replacing JTPA Title III with a new federally supported, guided and monitored structure providing for state-administered training and reemployment assistance to meet the needs of all displaced workers. Along with a refocused Employment Service, this approach would enable governors to provide readjustment services to an important segment of the work force.

The Task Force was unable to reach a consensus as to whether or not other federal adjustment programs for displaced workers should be consolidated within this new program. Some members, citing the redundancy of existing adjustment efforts, feel strongly that a consolidated program directed at all displaced workers is the most equitable and cost effective approach, and point to the fact that programs such as Trade Adjustment Assistance (TAA) are highly preferential to a small group of workers. Other members oppose consolidation, believing it would result in the diminution and elimination of benefit programs directed at ameliorating the dislocation of workers caused by specific government policy, such as deregulation and trade policy.

The Federal Role

The Task Force recommends the establishment of a single federal Dislocated Worker Unit (DWU) in the U.S. Department of Labor. The responsibilities of this unit would include:

-- distributing funds to states in a manner that efficiently targets resources to areas of most need, permits a rapid response to economic dislocations, and promotes the effective use of funds;
-- establishing program goals, monitoring performance, and annually certifying compliance;
-- serving as a national clearinghouse for the gathering and dissemination of program-related information on plant closings and worker dislocation; and
-- providing technical assistance and staff training services to states, communities, businesses and unions, as appropriate.

A fund distribution system would be put in place with the following provisions:

o 80 percent of funds distributed to states by formula

at the beginning of each year; 20 percent retained by the Secretary of Labor for a targeted and necessarily rapid response to extraordinary dislocations and multi-state dislocations, and to provide incentive funds to states.

- o The formula would incorporate state-specific plant closing and mass layoff data from the BLS program.
- o A provision that the governor may carry over up to 25 percent of resources each year in a trust fund for use during periods of severe structural adjustment and recession.

A federal tripartite advisory committee would be established, composed of business, labor and the public, which would act as a mechanism to review program performance against the objective--quality reemployment--and make recommendations for improvement.

The States' Role

The governor of a state would be designated as the nominal agent of service and could mobilize federal, state, local and private sector resources. The governor's responsibilities would include:

- -- creating or designating an identifiable state dislocated worker unit or office with the capability to respond rapidly, and on site, to large scale permanent layoffs and plant closings;
- -- maintaining the capability of making training and reemployment assistance available to all eligible dislocated workers either on site, if appropriate, or in service delivery offices.
- -- allocating resources within the state as needed.
- -- establishing and operating an intelligence and reporting system which provides an adequate information base for effective program management, monitoring and evaluation.
- -- receiving notification of plant closings and large-scale layoffs when announced by the employer. Notification after announcement would be required of employers and constructed to not interfere with labor agreement, accounting and legal definitions of plant shutdowns.

The state DWU, staffed by a professional cadre of employees uniquely qualified for this work by having extensive knowledge and personal experience, would have two primary functions: (1) to coordinate and facilitate all responses available to the state for displaced workers, including the Employment Service, the Unemployment Insurance system, education and training agencies and all other resources available for these purposes; and, (2) to serve as

advisors, consultants, and sources of information in setting up joint labor-management approaches to deal with worker dislocations resulting from technological and other industrial changes, including permanent layoffs and plant closings.

The state should establish a dislocated workers adjustment committee made up of appropriate state agency directors and chaired by the DWU to carry out the coordinating function at the state level. This committee would mobilize state and local resources for rapid response to worker dislocations.

The state should organize, as part of the DWU, a small, highly skilled Industrial Adjustment Service (IAS), along the lines of the Canadian IAS, to perform the advisory and consulting functions. These professional staff members would set up joint labor-management approaches and arrange for and expedite the delivery of services to employers and dislocated workers in specific layoff and plant closing situations.

The state should establish a tripartite advisory committee, comprised of labor, management and the public, or designate a similarly constituted subcommittee of the state Job Training Coordinating Council under JTPA as such. This committee would review program performance and make recommendations for improvement.

The Private Sector Role

Employers would be expected to continue, on their own initiative, to make every effort to ease the adjustment of displaced workers. This new program is intended to complement, not replace, private sector initiatives.

Eligibility Requirements

The Task Force believes that services provided under the new program should be made available to: (1) those workers who are displaced as a result of plant closings and large-scale, permanent layoffs; and (2) other workers on permanent layoff who can demonstrate substantial work experience.

Proposed eligibility requirements are:

-- All workers who have been given notice of layoff or have been laid off because of a facility closing or large scale permanent layoff. Those individuals with less than three years in UI covered employment would be eligible for labor market and job search services. All others would receive the full range

of labor market and training services as needed. The governor, at his discretion, may choose to provide the full range of services to all workers in plant closings and large scale permanent layoffs where local circumstances may warrant this action.

-- Other dislocated workers with three years of recent covered UI employment and are determined to be unlikely to return to the same industry or occupation.

Services To Be Provided

The Task Force proposes a program that would emphasize the improved delivery of traditional labor market services to displaced workers. The state would maintain two important service capabilities. The first would be early intervention in the economic dislocation process, including a rapid response to announced plant closings and large scale permanent layoffs and the delivery of services on site prior to the actual displacement. A second component would be improved coordination and integration of the normal labor market services provided to displaced workers, both on site and in service delivery offices.

Plant-Specific Adjustment Assistance

For the state DWU to have a rapid response capability means the agency would be able to respond immediately to large scale permanent layoffs and plant closings occurring within the state. It would possess the ability to deliver or have delivered without delay (1) appropriate information and assistance to the affected parties (workers and employers); and (2) needed services to dislocated workers. The agency would also possess the ability to deliver or arrange for the delivery of such services on site, if appropriate.

Emphasis is to be placed on service delivery and labor-management cooperation similar to the approach used by the Canadian Industrial Adjustment Service (IAS). That is, to the extent feasible, adjustment should occur in advance of a plant closing or mass layoff rather than after it; advance warning should be given to allow time for research and planning; employer-worker joint committees should engage in private adjustment measures; government should encourage and support, not supplant, private means; and participation in all programs should be voluntary.

Because adjustment is best accomplished by those directly involved, whenever possible an employer-worker committee should be established at each plant closing or larger permanent layoff to coordinate the delivery of

readjustment services to displaced workers. This should include helping them obtain new jobs or training opportunities.

Labor Market Services

Most displaced workers can benefit from one or more labor market services such as testing and assessment, counseling, and job search instruction. It is, therefore, important that such labor market services be offered to all eligible dislocated workers, either at the plant site or in designated service delivery offices.

In the case of an announced plant closing or mass layoff, the state DWU would arrange for the delivery of such services from the local Employment Service office or another provider. Other dislocated workers would have access to labor market services at designated service delivery offices.

The governor would designate the institution responsible for providing basic labor market services, i.e. labor market information, for testing, assessment, counseling, and for preparing individualized readjustment plans, for teaching job search skills, for referral to training, and for facilitating relocation of dislocated workers.

The Task Force believes that, in far too many instances, these labor market service functions do not currently receive the kind of support and attention they need. More specifically:

- Labor market services are not routinely available at the plant site in a timely fashion.
- Displaced workers need good information about the jobs and wages available in local and neighboring labor markets. In many states, the information provided to workers is neither current nor detailed enough to give an adequate picture of what occupations are in demand locally.
- Displaced workers need effective testing and assessment and vocational counseling. The individual readjustment plan is the key to occupational or career change.
- Displaced workers need effective job search training. The ability to engage in self-directed job search is an important skill which all displaced workers in a dynamic economy must possess. Job search training currently provided to displaced workers is uneven in quality and availability.
- Displaced workers can benefit significantly from an aggressive, client-oriented job development effort

wherein specific job vacancies are developed for specific individuals. A routinized system of job listings and referrals, as currently emphasized by much of the U.S. Employment Service, is not the most advantageous one for the displaced worker. A preferred approach would be for the Employment Service to focus on generalized job development with immediate and continuous posting of all employer job vacancy information--including the names, addresses and telephone numbers of the employers--in the plant at a location convenient to the soon-to-be displaced workers; who can then aggressively conduct their own job search, beginning immediately or upon completing job search training. If the states chose to do so, they could supplement these joint labor-management and self-directed job search efforts with client-oriented job development efforts wherein specific job vacancies are developed for specific individuals.

The Employment Service

The Task Force recognizes that the Employment Service (ES) is a logical candidate for delivering basic labor market services to dislocated workers. It is also understood that a major Department of Labor review of ES is in progress. The Task Force does not believe that ES is currently organized to effectively and efficiently deliver these important labor market services to displaced workers. For the Employment Service to be useful to dislocated workers, it will require a refocusing of priorities and a redirection of resources. The Task Force recommends that as part of the current departmental review and any subsequent restructuring of ES, the service needs of dislocated workers identified in this report be accommodated. It is not proposed that the Employment Service be given additional funds to provide these labor market services; rather they should be provided from existing ES resources.

Training Services

There is substantial evidence to suggest that many displaced workers have a deficiency in basic educational skills severe enough to retard reemployment or even the acquisition of new job skills. A recent study by the Educational Testing Service found that 20 percent of the young adult population (21-25) cannot read at the proficiency level of the typical eighth grader. This is particularly relevant because most job training curricula require reading competency at about the seventh or eighth grade level.

The Task Force believes that during this major disruption in the work careers of displaced workers, opportunities should be made available to identify and remediate basic educational deficiencies if workers so choose. Concern about the literacy skills of current and future displaced workers will be heightened as technological advances continue in the workplace over time. The program should emphasize referral to existing adult basic education and adult literacy programs in the state whenever possible.

Because of the marked success of on-the-job training (OJT) in transitioning dislocated workers to new employment, the Task Force strongly encourages OJT as a major empnasis and that resources be directed to providing this form of training. While OJT is preferred and should be used for a majority of the long-term training carried out, substantive programs of classroom vocational training can also be an important part of a good displaced worker readjustment system. Superficial or unrealistically compressed training programs designed to attract displaced workers with less than 26 weeks of UI eligibility, but which do not provide adequate training or marketable skills, should not be funded. Customized training to match the needs of an identified employer is optimal. Vocational training contracted for displaced workers should also be performance based, i.e., training providers should not be paid unless a substantial percentage (e.g. 80 percent) of the trainees obtain jobs meeting specified criteria, ensuring that training institutions deliver on their promises.

Income Support

Income support should be of adequate duration to support substantive training and job search, but not too attractive in its own right. There is a need to provide income support for dislocated workers in classroom training. Workers who are in training courses lasting 26 weeks or longer are soon faced with exhaustion of UI benefits. Consequently, there is a need for two changes: workers should have incentives to enroll earlier in training programs tailored to their job readiness, and income maintenance should be continued on a reasonably necessary basis to encourage these individuals to complete their training.

Reemployment Incentives

In an attempt to speed the adjustment process and to partially compensate displaced workers for taking lower paying jobs, various reemployment incentive schemes have

been suggested. A recently completed evaluation of an experiment conducted in Illinois in 1984 provides some preliminary information on the effects of one such proposal.

The Illinois experiment tested the effects of providing a cash bonus of $500 to new UI claimants when they found employment (of 30 hours or more per week) before the end of the eleventh week following their initial UI claim, and when they held that employment for four months. Compared to a randomly assigned control group, the UI recipients offered the cash bonus experienced an average reduction in UI benefits of about $150 to $185 and in insured unemployment of over one week. The incentive bonus was shown to be cost effective, returning over $2 in reduced benefit payments for each dollar of bonus payments. Nearly 14 percent of the claimants were paid bonuses.

Based on these tentative results, a national program for all UI claimants might show gross costs of about $500 million. If offered only to displaced workers, costs would obviously be lower. Variants on this bonus scheme might include: payment of a larger cash bonus for those claimants who find jobs sooner; or a cash payment for six months which is a fraction of the difference between the claimant's old and new wage.

Because of the encouraging evidence gained in this experiment and others, the Task Force suggests that the Secretary of Labor conduct further testing and development of reemployment incentives. Consideration should be given to how such incentives can be structured so as to encourage work, yet avoid the dilemma of workers foregoing the opportunity to engage in needed training in order to take lower-wage jobs. For example, workers taking jobs early might be offered the choice of a $500 reemployment bonus or a $700 voucher to pursue part-time training.

Job Retention and Job Replacement

A good worker adjustment system should encourage the preservation of jobs where feasible, and provide assistance to the workers and communities in generating new jobs to replace those which have been lost as a result of permanent layoffs and plant closings. The first and most important dimension of such a program is a healthy and growing national economy. Second, it is important to make technical assistance available at the local level to help employers resolve their human resource or other problems and remain economically healthy and viable. Third, it is important to encourage employers and communities to actively cooperate in finding new uses for discarded facilities which will aid the creation of replacement jobs. For example, the establishment of business incubators is one possibility which could be considered.

Finally, provision should be made to encourage and assist dislocated workers who may have an interest in starting new businesses or in preserving their jobs through employee buyouts. Recent pilot projects in Ohio and elsewhere using JTPA Title III funds to offer entrepreneurial training courses for dislocated workers, provide some experience in this area. Equally interesting is the experience of France and Britain in encouraging entrepreneurship by allowing unemployed workers to capitalize their unemployment insurance benefits by receiving them in a lump sum to start a business. Successful job preservation efforts are exemplified by the employee buyouts of Weirton Steel in West Virginia and Seymour Specialty Wire in Connecticut.

The Task Force believes the Secretary of Labor should encourage and evaluate experiments designed to assist individual dislocated workers in starting their own businesses and facilitate feasibility studies of enterprise purchases by groups of workers facing displacement.

Health Insurance

One of the major concerns of dislocated workers is the loss of health insurance. Whether the new federal law allowing workers to buy health insurance at group rates for a specified period of time after termination of employment will fully meet this need is unclear. The Task Force suggests that the Secretary of Labor monitor this issue closely to gauge the adequacy of these provisions.

Financing the Program

The Task Force feels strongly that the new national effort it has recommended requires an economic commitment by society. There are already resources devoted to readjustment assistance, such as JTPA's Title III, which can be better used within the new program structure. It can also be expected that the new program will be able to leverage expanded private sector resources and redirected efforts of the Employment Service. It is clear, however, that monies and resources from these sources will not fully support the level of program effort that is required.

The Task Force believes that existing resources should be augmented in a fiscally responsible manner. This kind of effort traditionally has been funded from general revenues, the Task Force's preferred source of funds. If the Congress determines it cannot fund this initiative from general revenues, the Task Force is convinced that the program is of such importance to the nation's competitive

position that alternative methods of financing should be considered.

Amount to be Raised

The amount of money to be raised is governed by the gross outlays required and any planned offsets against costs. As a general guide, the gross costs of service can be estimated by making the following assumptions:

-- approximately 1.2 million eligibles annually based upon the following BLS data for the period between January 1981 and January 1986: (1) 5.2 million workers lost or left a job due specifically to a plant closing or plant move; and (2) 700,000 workers with three years or more of tenure who lost or left a job due to abolition of shift or abolition of the individual's job.
-- an overall participation rate of about 45 percent of eligibles or about 535,000 participants per year, reflecting the assumption that participation would be much higher in programs implemented prior to the plant closings;
-- based on data from Title III of JTPA and various demonstration projects, cost per participant might average about $1300 in 1988; or about $4,200 per service year with an average stay of about 16 weeks;
-- a rough gross cost estimate is, therefore, $700 million (535,000 participants times $1300 per participant), plus $120 million to fund federal functions and state dislocated worker units. Supplementation of benefits for UI exhaustees in classroom training might add an additional $80 million, for a gross total of about $900 million in 1988.

Offsets to these gross costs arise from programs which might be subsumed, labor market services which the Employment Service would provide with existing resources, and any UI benefit savings which might accrue. A major program for offset costs would be JTPA Title III, which is budgeted at $200 million in the FY 1987 appropriations. The Task Force also assumes the Employment Service would supply out of existing FUTA funds substantial services to support this program. TAA training services currently budgeted at $29.9 million for 1988 would be offset by this program.*

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* Estimates of Net New Costs for the Proposed Program

$900 million	Estimated Gross Program Costs
-$200 million	JTPA Title III
-$ 30 million	TAA Training Costs

-$100 million	Assumed Labor Market Services provided by the Employment Service
$570 million	Estimated Net New Costs

These cost estimates do not account for any potential benefit saving to the UI trust fund which might accrue as a result of this program.

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APPENDICES

Report of the Subcommittee on the
Foreign Experience of the Task Force
on Economic Adjustment and Worker Dislocation

EVALUATION OF PROGRAMS TO ASSIST DISPLACED WORKERS IN FOREIGN INDUSTRIALIZED COUNTRIES

December 1986

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Foreword

The Subcommittee on Foreign Experience wishes to thank its members Jack Wolfe and Joyce Miller, Mark Roberts of the AFL-CIO's Department of Economic Research and its DOL representatives Robert Bednarzik, Jeanne Roberts and Steve Charnovitz for their time, work, guidance and support in completing our assigned task of reporting on European, Canadian, and Japanese labor market adjustment measures to help displaced workers.

I. INTRODUCTION

This report discusses the degree to which measures to assist workers displaced by structural change in industrialized countries were effective in facilitating worker adjustment. The focus is on the evaluation of programs in countries belonging to the Organization for Economic Cooperation and Development (OECD), which includes (besides the United States) Canada, Japan, most European countries, Australia, and New Zealand. Simply stated, our objective is to determine:

What's useful,

What's not useful, and

What's transferable from these countries' programs to the U.S.

The basic premise in most of these countries is that change will occur. There will be movement from declining to growing industries and from old to new jobs. It is to a country's competitive advantage to do this as quickly as possible. Thus, accomplishing such change is important both economically and socially.

Our examination of programs was based on discussions and meetings with experts both here and abroad and written evaluation materials, provided mainly by the OECD. We also had access to the preliminary findings of a DOL-sponsored evaluation of European labor market adjustment practices. References are provided in the appendix.

We should recognize that some of the programs studied are experimental in nature, while others have rather long histories. The magnitude of the adjustment problems and the extent to which they have been researched and evaluated also differ greatly among countries. The evaluation material ranged from a retrospective survey of the adjustment process to judgments about program impacts expressed by country experts. In reading this and the subsequent sections it is important to bear in mind that the findings and conclusions are drawn from this rather broad continuum of evaluation material. However, please recognize that the committee is in full agreement on this report's conclusions and recommendations.

Following this introduction, the major sections of this report are:

Section II - Background - focuses on the important economic, political and social considerations of the OECD countries studied.

Section III - Summary and Conclusions - highlights the workings and effectiveness of the various programs studied.

Section IV - Recommendations - lists our recommendations for action.

Section V - Detailed Findings - provides extensive information on each major program, especially its' usefulness.

For reference, our appendices contain some of the more valuable information used by our committee.

II. BACKGROUND

For the countries studied, there are a number of features in their labor market programs to assist displaced workers which reflect differences in economic, cultural, and historical characteristics. Some of these are quite important to note since they impact on the program's nature, effectiveness and transferability. Of course, when economic growth is strong, adjustment to change is accomplished more easily. This section briefly discusses country differences in general approach, job growth, job security, adjustment processes, income maintenance and program cost.

Simplifying the matter considerably, there are three general approaches. In the first approach, certain societies accept that workers whose skills are no longer in demand should take the initiative in equipping themselves with new skills or re-integrating into stable employment, perhaps at a new location with the assistance of traditional labor market programs. The role of the employer may be limited to strict compliance with his contractual obligations. In the second approach, the state may be seen as having its main role to play in providing income support and encouraging local communities to provide training for alternative jobs. Other societies consider that the whole community should be involved in implementing a plan to safeguard the local community's economic base. A third view stresses the need to contain the impact of structural adjustment within the enterprise so that workers may be reallocated to new functions without recourse to the external labor market. The U.S. perhaps falls into the first camp, Europe the second and Japan the last.

Recent job growth rates differ markedly across countries. For example, the U.S. economy has generated almost 29 million jobs, a 36 percent increase since 1970. Most of these jobs have been generated by small business and services industries. In the same period, Japan has produced around 7 million new jobs, a 14 percent rise. In Europe, job growth has been essentially flat during this period. Thus, the U.S. has created many more jobs, and at a faster rate than our OECD counterparts. The magnitude and nature of unemployment is also different, with Europe experiencing higher rates, especially the proportion that is long term, than the U.S. in recent years. Unemployment in Japan is much lower than in other OECD countries.

European workers, in general, enjoy relatively strong employment security compared to North American workers and even compared to Japanese workers, where only an estimated 15 to 25 percent of the workforce are in firms that offer "lifetime" employment security. Since the late 1960s, most European countries have passed legislation requiring employers to notify, inform, and consult worker representatives prior to collective dismissal for economic reasons. These laws evolved from long established paternalistic employment practices, collective agreements, and labor legislation and common law governing individual dismissal. As an example, individual advance notice requirements have been in existence throughout Europe for most

of this century. Recently, there has been some legislative changes to encourage dialogue between labor and management and between the public and private sector. A number of European countries have relaxed the laws governing dismissals in recent years, without significantly changing the fundamental employment protection afforded wo[illegible] practices contrast with the "employment at will" doc[illegible]ing in the U.S. over the last century.

The differences in laws and practices result in radically different patterns of employment and hours adjustments to cyclical and structural changes in Europe than in the U.S. European producers adjust employment levels much less and more slowly, relying more on adjustments through hours measures (or preventive), than U.S. producers. Working time reductions through accelerated early retirement, shorter workweek, increased number of holidays, and worksharing have all been an integral part of a broader set of practices to maintain employment employment security. The European steel industry, for example, has used these methods to achieve large workforce reductions with minimal use of layoffs.

In Japan, although adjustments are more apt to be through changes in the level of employment, they are mainly done internally through intra- and inter- company transfers or retraining programs, often with government financial assistance. This stems in large part from the historical pattern on industrial development in Japan. Because they were latecomers to industrialization, the government began and has continued to play an important role in the process of industrial development. This is coupled with an industrial relations environment that is built on a philosophy that labor and management need to cooperate in order to increase the economic pie. As an example, flexible work rules, a densely distributed industry structures, and a greater functional interdependence between large and small firms than in other countries all help the employment adjustment process.

Costs of programs vary widely across OECD countries. For example, in [illegible] of income maintenance the U.S. generally provides on average 35 to 40 percent of previous wages to experienced unemployed workers for 26 to 39 weeks. Canada provides 50 percent of previous wages for 12 months. Across most of Europe and Japan, 60 to 80 percent of previous wages for nearly one year are provided. A very rough financial comparison is that national governments in most of the countries spend twice that of the United States' 1/4 of 1 percent of Gross National Product (GNP) ; Sweden, which far exceeds everybody, spends roughly 2 1/2 percent of its GNP on labor market programs. Recently, a modest amount of money has been used for entrepreneurial direct job creation through capitalizing Unemployment Insurance (U.I.) benefits and setting up new firm incubator centers and workshops in many European countries.

III. SUMMARY AND CONCLUSIONS

This section provides a matrix showing a brief program description, the economic rationale and the effectiveness of various measures to help dislocated workers. A summary of what's useful and what's not useful is provided. Since we were particularly impressed by the economic and human effectiveness of the Canadian Industrial Adjustment Service program, the key components of that program are also discussed.

Overview

The basic premise that change will occur is accepted. It is to a country's, company's and individual's advantage that workers move from old to new jobs as quickly as possible. Such change is important both economically and socially. Nevertheless, several European countries are committed to preserving an industrial base in certain industries. This is the environment in which labor market policies must now operate. Although many labor market adjustments occur smoothly, assistance to displaced workers is now seen as necessary not only to secure reemployment but to complement broader national policies to promote economic growth.

The purpose of the following matrix is to highlight the justification and economic rationale for various program components to help displaced workers, and to summarize the effectiveness of each. Although listed singly, program services are most often delivered as a package. It is important to note the effectiveness of one component may well depend upon the availability of another.

Program Component	Economic Rationale	Effectiveness
1. Advance Notification	Provides time to find alternative employment or training before layoff takes place; reduces industry and community reluctance to accept change. Notice averages 1 to 2 months.	Generally a very useful and important first step, as it allows for a phased withdrawal of workers. Adjustment process is better if begun sooner. Mixed evidence on costs to firms.
2. Employment Adjustment Services	Provides the means for workers to move from old to new jobs.	Good strategy to provide job search assistance to those with marketable skills and training to others. Not a

			good strategy to increase program participation through more generous benefits.
a.	Reinforced job-seeking assistance	Since displaced workers tend to have higher seniority, they are probably less experienced in job seeking, thus need job search, interviews, and resume writing skills.	Very cost-effective, especially when delivered at the work-site in cooperation with labor, management, and the local commu.
b.	Special training programs	Different worker skills are needed once structural change occurs; since training period could be long for workers with remedial needs, a training allowance is often included.	Mixed results as an aid to reemployment. Matching the content of training programs to job tasks in growing occupations works best. Costly to reach the hard-to-reemploy.
c.	Improved Mobility Assistance	Industries undergoing structural change are often in areas in economic decline or are remote.	Useful but costly. People are reluctant to move. Would require a generous financial incentive and an attractive new job to entice displaced workers to relocate. Requirement of having a job in new location also hinders take up.
d.	Enhanced existing programs	Structural change may be concentrated on a particular worker group; extending amount or duration of benefits will increase program participation.	Some success in accelerating reemployment, but the key was service delivery.

3. Temporary Wage Subsidy	Need to offer a financial inducement to prospective employers to hire displaced workers to compensate them for possibly having to upgrade these workers' skills, or to retain workers they may have otherwise displaced.	Costly. Does not create jobs, may prevent some unemployment or redistribute existing employment opportunities. Expectation is that economy will pick up by the time subsidy expires.
4. Income Maintenance	Structural change benefits everyone but only a few bear the cost; extra income support compensates those who do. Mitigates negative effect of unemployment on local economy. Regular U.I. averages 60% to 80% of previous wage for close to one year. May be extended or supplemented under special programs.	Useful for maintaining purchasing power. Expected longer duration does not necessarily result in a comparable post displacement job.
5. Employment Generation		
a. Public Service Employment	Prevents skills from deteriorating, provides experience, maintains worker confidence and serves as a bridge to a permanent job.	Good for worker morale and building up community infrastructure, but costly because workers stayed in jobs longer than anticipated.
b. New Private Sector Enterprises	Prevents long-term decline in a community where younger workers may move away. Encourages entrepreneurship amongst displaced workers.	Promising, as 50 percent survival rates after 3 years of operation reported. A small but growing percentage of unemployed is participating. Worth evaluating more rigorously.

6.	Government-financed early retirement	Minimizes the effect of involuntary displacement on older workers and moderates layoff of younger workers.	Allows for work force reductions through attrition. Since early retiree may work elsewhere & not be replaced, unemployment may not be lowered, a gov't goal, and program cost may be high.

European workers enjoy relatively strong employment security stemming from long practiced socially-oriented employment attitudes. Many of the above programs go hand-and-hand with that attitude. A major objection to the adoption of such job security legislation in the U.S. is that it is largely responsible for Europe's low job growth and high unemployment, and thus thought to be a repetition of their mistakes. This conclusion is not supported by the evidence available to date. Macroeconomic policy, residual inter-country barriers, more nationalized industries and a lower spirit of entrepreneurialism all seem to contribute significantly more than employment security legislation to this problem. Moreover, employer surveys in Europe show that they are not upset with advance notice and consultation requirements but with the administrative complexity of such legislation.

In Japan, adjustments to structural change occur internally, whereby workers are transferred both within and between firms. This practice stems from a historical pattern of government financial assistance, labor-management cooperation, and a densely distributed industrial structure. Given the cultural uniqueness of the heavy reliance on programs to facilitate internal labor market adjustment, although they appear to be effective in Japan, they are not readily transferable to the U.S.

Some European and Japanese measures relating to job security contrast sharply with the "employment at will " doctrine operating for the most part in the United States over the past century. Any judgments made on the usefulness and transferability of specific programs must take this background into account.

Shown below, in summary form, are the practices that our subcommittee believes, mainly in terms of facilitating or speeding up the adjustment process, to be useful and transferable, those that are less useful, and those that have shown mixed results. There is also one newer program well worth further study.

Moving Workers to New Jobs

1. Useful (and Transferable)

- Advance notice
- Job search assistance
- Rapid response capability similar to the Canadian IAS program, which relies on the above two components and also includes:
  - Focused local, on-site service delivery
  - Professional guidance
  - Coordination by an adjustment committee
  - Labor-management cooperation
  - Public-private sector cooperation
  - Industry/community targeting

Advance notice, coupled with rapidly provided job search and job matching assistance seems to work quite well. The delivery of these services must be focused on the enterprise, individuals and community involved; such delivery must be guided by capable professionals, and jointly coordinated by management and labor.

Job search and job matching services are a cost-effective way of facilitating reemployment even in a poor economy with a highly concentrated industrial base. Simply insuring that workers know about the programs and benefits available to them enhances their use. Evaluations have shown that service delivery is a real key, and delivery is best facilitated through an rapid response organizational structure that includes the private sector and the local government. Thus, an adjustment process can be brought to an enterprise, individuals, and community through a knowledgeable and experienced professional acting as an ex officio overseer and coordinator, a "honchoing" concept. This is coupled with the formation of a joint labor-management committee. All of this insures that there is more "bang-for-the-buck" in that all available resources are utilized to reemploy and/or retrain displaced workers. The rapid response system is designed to match displaced workers with existing job opportunities in their skill level. Other assistance is needed when there is a mismatch between existing job opportunities and workers' skills.

2. Less useful

Public service employment for displaced workers, although good for morale and building up a community's infrastructure, was not viable economically in the long run because workers stayed in these jobs longer than anticipated. There was very little flow from these jobs to private sector ones. Government-financed early retirement programs were a costly way to try to lower unemployment. They did not necessarily result in a one-for-one job tradeoff; firms often did not replace the early retiree. However,

industry specific schemes through attrition do mitigate the social impact of restructuring and preserve jobs for younger workers. The use of mobility programs was very low. Workers were simply reluctant to relocate geographically and it was concluded that it would take a large financial incentive to get them to move. The notion of enhancing the amount and/or duration of benefits under an existing program to increase participation when applied to a specific hard hit industry or community, was not effective. This is in keeping with the finding that income maintenance, even when replacing nearly all of lost earnings, does not through expected longer duration of unemployment result in a equivalent or higher paying post-displacement job. Like wage subsidies, however, income support does maintain consumer purchasing power to some degree. Wage subsidies are neither extensively utilized nor promoted. They appear to be capable of redistributing existing employment opportunities, but not speeding up the adjustment process.

3. Mixed Results

Training, in a wide variety of forms, is available in all of the countries studied. Such programs, particularly when measured by the number of workers placed, tend to cream and retrain only those workers with the most likelihood of reemployment. It is difficult to get less educated, less mobile, older workers--all disproportionately represented among displaced workers--into training programs, especially remedial ones. They are also the most costly to train. Nevertheless, some training programs have been more successful than others. In particular, government-financed, industrial-based training and training for occupations likely to grow in demand seem to work best. Generally, training that allows workers to move into the main stream of the economy should be emphasized.

4. Promising but needs further study - Entrepreneurialism supported by U.I. Capitalization

Starting your own firm, using government-supported business development training and/or financing through U.I. capitalization, appears to be effective, but, needs to be evaluated more rigorously. Studies have shown survival rates after 2 years as high as 50 percent. Private sector, small business development as means of creating jobs has caught the fancy of Europeans in general. Besides capitalization of U.I., a variety of other assistance programs that have not been evaluated, have been implemented. These include business incubators, technical assistance, and seed capital financing. However, it should be recognized that only a small proportion (less than 10%) of the displaced are likely to utilize such programs.

Canadian IAS Program

As noted earlier, the subcommittee was particularly impressed with the capabilities and results of the Canadian IAS program, which

operates as a catalyst in the development of a strategy at the plant level to help workers adjust. The speed of the response is considered vital and relies on advance notice and a network of contacts to know beforehand that a large layoff or shutdown will occur. Once a firm accepts an offer to help (participation is voluntary), a joint labor-management committee is formed to manage the adjustment process focusing on the particular firm, community and individual workers involved. The process is guided by an experienced professional from IAS, the structure of which is lean, flexible and very unbureaucratic in nature.

An assessment of the program showed that by concentrating on providing on-site job search and job matching assistance and soliciting local community cooperation, the program was extremely cost-effective. From 1971 to 1981, the labor-management committees formed with IAS assistance placed 66 of every 100 workers affected by plant closings, usually within a year, at a cost of only $171 per worker.

In conclusion, we have attempted to set the vast array of programs offered into a useful and succinct form. Our recommendations follow, and it is obvious that they are strongly influenced by our findings here.

IV. RECOMMENDATIONS

The Subcommittee on Foreign Experience unanimously makes the following recommendations:

(1) We recommend that the U.S. adopt an IAS-like quick response capability to respond to plant closing and mass layoffs. In Canada, the nearly 25-year old IAS program has proven to be a cost-effective and worker acceptable way to reemploy those who are displaced. Formation of professionally guided labor-management committees that focus assistance -- particularly, job search and job matching services -- at the enterprise and community level with on-site service delivery appears to be very effective in aiding worker adjustment.

(2) We strongly recommend that U.S. firms notify workers and local government officials of impending plant closings and mass layoffs. In order for a quick response program like IAS to be effective, program officials must be made aware of plant closings and large layoffs as soon as possible. Starting the adjustment process early and coordinating it with labor, management and local officials significantly facilitates worker reemployment. Longstanding European individual notice requirements and the more recently enacted (1960s) laws requiring employers to notify local officials prior to collective dismissals have not inhibited structural adjustment and have not been opposed by employers.

(3) We recommend that the U.S. Department of Labor study and explore ways to enhance private sector small business development. Entrepreneurial or starting-your-own business training should be incorporated into existing or regular training programs. Creative ways to finance new businesses such as capitalization of U.I. benefits should be considered and tested. Survival rates among firms started with such funds under British and French programs indicate this concept is well worth exploring.

V. DETAILED LABOR MARKET PROGRAM EVALUATION FINDINGS

A major objection to the adoption of job security legislation patterned on European law is that European dismissal law is largely responsible for Europe's high unemployment, and thus thought that we would be repeating Europe's mistakes. A review of the empirical, although limited, evidence finds no support for such a strong conclusion. Moreover, surveys show that employers' objections to the legislation tend to focus not on the central provisions of the law, like advance notice, but on subsidiary aspects like the administrative complexity, protection for special groups like white-collar workers, and legal coverage of newly hired workers and small firms. These are unlikely to be incorporated into any U.S. legislation. On the other hand, individual advance notice continues to be an accepted business requirement, as it has been for many years in Europe in good times economically as well as bad.

Early and preliminary evidence from a recent study indicates that collective dismissal legislation including mandatory labor and management consultation does not inhibit structural change or worker adjustment. However, adjustment is slower, mainly because it is accomplished through number of hours worked rather the number of workers. Collective dismissal's effect on long-run job creation is inconclusive. (See Exhibit 3. in the Appendix for a comparison of U.S. and European approaches to workforce reductions in the steel industry.)

Differences in industrial relations between Europe and the U.S. raise questions as to the transferability of the idea of fostering dialogue between labor and management. This requires a mechanism or institution in which the dialogue can occur. In most of Europe this institution is the work council. With unions representing less than 20 percent of the workforce in the U.S. and with no other legal representation in the workplace, the government may be limited to encouraging rather than legislating consultation.

Before going into specific program components which follow the same order as our summary matrix, it is important to discuss two issues that cut across all programs; they are targeting and service delivery.

Targeting. Implicit in the implementation of special labor market programs to assist workers displaced by structural change is the need to identify the target group of adversely affected workers within the unemployed population. These special programs are often implemented to complement broader industrial, regional and/or trade policies designed to promote or balance national employment growth. Evidence from several countries suggests that the type of targeting scheme adopted by a country strongly influences program performance in the areas of (1) the degree of participation in the program, (2) the overall program cost and (3) in some cases of the timeliness of the assistance.

Targeting special labor market programs on a wide range of industries or regions has caused benefits to be provided to workers who were not really in need of additional assistance beyond existing general labor market programs. In several countries this led to the inefficient use of program resources (and to prohibitive program costs). On the other hand, too restrictive a target group limited program coverage and hence all those in need may not be reached. Moreover, administratively identifying structurally-affected workers proved virtually impossible when short-run (cyclical) effects were often mistaken for longer-run (structural) effects. These difficulties not only raised program expenditures unnecessarily but also tended to delay the process of providing assistance to the structurally displaced worker.

Targeting often creates problems of equity in the treatment of the unemployed. This is particularly important during periods of generally high or rising unemployment and when the amount of benefits available to eligible workers greatly exceeds those available to non-eligible unemployed workers. Targeting in several countries was directed towards assisting workers displaced by a specific cause. This presumes that the need for special labor market assistance is directly related to the cause of the displacement. Workers were not distinguished by the likelihood of their experiencing adjustment problems. This type of targeting led to workers with similar labor market problems receiving different levels of assistance. Also some workers with more difficult adjustment problems were ineligible for expanded benefits and services. Furthermore, the contribution of one specific event to the displacement of a worker was often not easily established and, even when established, workers in related industries whose displacement was indirectly linked to the event were not eligible for special assistance.

Developing an appropriate targeting scheme for special labor market programs begins with a judgment regarding the appropriate recipients of assistance. The targeting scheme then not only limits its scope to that group but also provides assistance appropriate to the problem with a minimum of administrative delay. The available evaluation evidence suggests that schemes, which target assistance to workers employed in a designated industrial or community, have minimized the potential adverse effects of inequities inherent to targeting on workers displaced by a specific event and have focussed benefits on areas where the problems of displaced workers may be most severe. Designation schemes must still determine the nature of the assistance to be provided to the target group, for example relocation and/or regional development, and establish an efficient mechanism to deliver the assistance.

Service Delivery. Delivery of these employment-related services works best at the enterprise or workplace and community level through an organizational structural that includes the private sector, labor as well as management, and the local government. A catalyst or conduit that is credible is needed to help set up such a structure or committee and bring the services to the plant level. The Canadian

Industrial Adjustment Services (IAS) is a good example to follow here. (See Exhibit 2. in the Appendix for a detailed description of IAS.)

The transfer of authority to the local level makes it possible for program coordination or consistency to fall into place more easily. Consistency between macro/micro, national/state, and economic development/adjustment programs allows for more cost-effective results. Essentially, IAS encourages the private sector with local area cooperation to undertake an adjustment response. Having private sector involvement, for example, opens up the informal job market and makes it more accessible to displaced workers. The budget for IAS is very modest.

At bottom, IAS involves the Federal government providing the expertise and financial framework to allow the firm to be more responsible for handling adjustments. It also brings the employer and the local community into the responsibility structure which enhances the amount of resources that can be brought to bear on the problem, increases people's awareness of the problem and improves the likelihood of the acceptance of change in general. However, to be effective, the program requires advance notice of plant shutdown or mass layoff.

1. Advance Notification

Notifying workers and local employment offices of an impending mass layoff or plant closing may be an important first step in providing assistance to displaced workers, and is a required first step in many countries. Advance notice raises several critical evaluation issues: the benefits to the worker, the credibility of the notice, how the workers and firms utilize the period of notice and the costs of an advance notice requirement to firms. Longer periods of notice may be preferable to shorter periods as the evidence suggests that periods of notice of only two to three weeks have negligible effects on reducing the duration of unemployment of displaced workers. On the other hand, longer periods of notice where the future is uncertain may do little to encourage workers to actively seek other jobs.

The benefits of advance notification derive from the added time given to all parties to the displacement to plan and prepare for the re-employment of the displaced workers. The local employment office can utilize the period of notice to provide workers with information on government assistance programs and work with local industry to find jobs for displaced workers. It contributes to a phased withdrawal of workers which eases the burden on the local labor market. A period of advance notice may also increase the flexibility of the firm's response to structural change by giving labor and management time to consult on ways to help the firm adjust. Such consultation by preclude the necessity for introducing government adjustment programs or may complement such assistance efforts. The recognition among many countries of the growing importance of the

role of labor and management in private sector firms in the adjustment process suggests that some form of advance notice will become an integral part of the process.

In countries or industries with a tradition of utilizing their internal labor markets in responding to structural change, advance notice requirements are probably unnecessary. Requiring notice in situations where such information is not routinely provided to workers or where short-term layoffs are a common adjustment measure runs the risk that the information will not be considered accurate and no serious adjustment actions will be undertaken. An obligation to provide a long period of notice can be detrimental to the employment of new workers due to the high overhead such notice places on employers who may want to, or believe they will have to, reduce employment in the near future. That is, protecting workers with jobs may effect the employment chances of those seeking jobs.

The benefits of advance notice are likely to be greater in situations where the time is fully utilized by both labor and management, and other adjustment assistance beyond the provision of notice is provided. For reasons that have not been fully analyzed workers who leave a plant during the period of notice in some instances have performed better in securing an initial job following displacement than those who waited until the plant closed.

Little evidence also exists on the costs of requiring notice, although it has not been opposed by European employers. The announcement of an impending plant closure may serve as a signal to competing firms and financial institutions of the adverse condition of a company. Firms which do not provide such notice are likely to believe that such a signal is extremely costly, or that the company's current situation is not irreversible and serving notice of closure may be premature. Furthermore, workers with the most marketable skills, and hence the best alternative job opportunities, are likely to take advantage of the period of notice to leave the firm. If, as could be expected, these workers are relatively productive, the result might be that overall productivity could decline. Such an occurrence would be particularly costly if a large layoff, rather than a complete plant closing, were to occur.

2. Employment Adjustment Services

a. Reinforced job-seeking assistance

Providing job search assistance to displaced workers can be a cost-effective tool in helping them become reemployed. This assistance includes teaching resume writing skills and interviewing techniques, providing a resource center for telephoning prospective employers and interacting with fellow workers, and possibly transportation and childcare support.

In Canada from 1971 to 1981 with mainly job search assistance, in particular job matching services, from the labor management

committees set up under IAS, 66 of every 100 workers affected by plant closings were reemployed within a year. In FY 1983-84 when somewhere between 400 to 600 IAS sponsored committees were formed, total funding for services averaged only $171 per worker.

These findings are supported by case study, evaluation of our JTPA, Title III program. For example, a comparison of JTPA, Title III participants with nonparticipants with similar characteristics in the Buffalo area in 1982 showed that job search assistance facilitated reemployment even though the economy was poor and the industrial base was highly concentrated. Concerning the delivery of primary program services, a report on seven demonstrations projects concluded that job search training is essential, ongoing job search assistance is important, and job matching services is seemingly one of the most successful ways to help workers become reemployed.

b. Retraining Assistance

Upgrading and updating the skills of workers displaced by structural change, especially in the direction of skills in short supply, has the potential for maintaining their earnings, improving their employment opportunities, and reducing their uncertainty during an adjustment period. Most nations have instituted labor market training assistance as part of the normal array of traditional labor market policy instruments, and several have supplemented these programs with additional programs for displaced workers.

Evidence from several programs suggests that displaced workers have not had sufficient knowledge either of their eligibility for retraining assistance or of the types of retraining assistance available. Actually, lack of knowledge on the part of eligible workers about the availability of employment adjustment services in general appears to be a problem. Knowledge of retraining programs has generally been more widespread in those situations where either the retraining assistance has been provided to firms in the form of subsidies to support internal training programs, or when the local employment office has been extensively involved with the firms prior to the workers' displacement, or where retraining assistance has been provided to workers as part of a broad rationalization program for the industry. More effective mechanisms must be established to inform workers of the availability or retraining assistance if such assistance is to be provided in a timely manner.

Participation in retraining programs has generally been less than anticipated, although greater knowledge of available assistance and effective targeting can increase the use of retraining assistance. Workers who view their displacement as permanent have been somewhat more likely to enroll than workers who believe they may be recalled. Males have been somewhat more likely to enroll than females, although this may reflect the occupational composition of displaced workers.

With regard to retraining, please keep in mind that displaced workers are more likely than other unemployed workers to be less mobile, less

educated and older. It is difficult to get them into training programs, especially remedial ones. To reach some of these workers, a training allowance may be required. Programs also tended to cream and retrain only those workers with the most likelihood of reemployment.

Participation in training programs has generally been higher when concentrated on displaced workers in small towns in relatively isolated geographical areas, and enhanced by the payment of income in addition to basic unemployment benefits to trainees. However, payment of income to trainees in North American countries are sometimes viewed as a form of extended unemployment benefits and have merely resulted in a longer spell of unemployment among displaced workers. Participation in retraining programs has also been high when subsidies have been provided to firms to conduct retraining programs for their workers. Such subsidies appear to be effective mainly in firms knowledgeable and experienced in providing training.

Having identified the appropriate target population, retraining programs should be complemented by counselling on the occupations for which training provides a good chance for reemployment. The evidence suggests that such information is best provided by local labor market authorities who identify the job openings in the local labor market for which displaced workers could qualify if retrained. Some governments are constructing regional forecasts of occupational demand which would provide additional guidance for local authorities in their retraining activities.

Evidence from several countries indicates that workers tend to prefer industrial or on-the-job-training to classroom training. Apart from those countries or industries where firm-sponsored training is the norm, greater emphasis on industrial retraining is likely to enlarge program participation. Generally, training that allows workers to move into the mainstream of the economy should be emphasized.

In some countries, retraining is part of a sequential strategy. If job assistance alone fails to help a worker become reemployed, retraining is offered. In Japan, the country that has enjoyed the most success with internal adjustment, the government helps firms finance retraining. This is done in order that firms can more easily maintain workers or transfer them, if necessary.

An important component of the evaluation of retraining programs is a measure of the extent to which the resources used in assisting workers was effective in helping them obtain new jobs. Generally, the impact of programs on labor market outcomes was mixed. Although not studied in depth, in one case retraining appeared to have little affect on shortening unemployment duration or improving post-unemployment earnings. On the other hand, a number of workers who completed training were successful in finding jobs for which they were trained. This emphasizes the need to match the content of training programs to job tasks in occupations with good employment prospects.

Finally, singling out segments of the unemployed population and declaring them to be eligible for special retraining assistance has created problems of equity in the treatment of the unemployed. These problems have been exacerbated when the programs are conducted during recessionary periods. Both participation in, and effectiveness of, retraining are related to the stage of the business cycle at the time the retraining program is implemented; it is not a job creation program. Evidence from some retraining programs suggests that although eligible displaced workers consider themselves deserving of special assistance, retrained workers may obtain reemployment at the expense of other unemployed workers in the community who were ineligible to participate in the program.

c. Relocation Assistance

Structural change often results in the displacement of workers in areas where unemployment is high and few employment opportunities exist. In such situations, relocation assistance in the form of financial incentives has been used to encourage workers to move to areas where employment opportunities are available. The evidence strongly suggests that this is a difficult, often paradoxical area for policymakers. Unassisted mobility appears quite high in many countries, while assisted mobility among displaced workers is low. As moving is costly, resettlement assistance has to be generous in order to increase mobility. The requirement of having a job in the new location has also appeared to reduce the use and effectiveness of relocation assistance.

The costs of a geographic relocation, both monetary and non-monetary, are presumed to be high for workers. These costs reflect not only workers' attitudes toward moving, but also their age, acquired pension rights, family status, home ownership, skill levels, and expectations and information concerning employment opportunities and earnings levels in potential future locations. As displaced workers tend to be older, entrenched in the community, and generally do not possess transferable skills or know much about job opportunities elsewhere, their costs of relocation are likely to be particularly high. Therefore, most countries with programs to relocate workers have an array of measures to assist workers in finding employment in their local area, often through the local employment service offices, which have the most current information on local employment opportunities.

Relocation assistance schemes have their highest rates of participation in nations which have a strong tradition of geographic mobility. However, because of favorable attitudes toward mobility, many relocations have been subsidized which may have been undertaken even without the assistance. Program participants tended to be male and relatively highly skilled. Care should be taken to avoid relocating workers to areas where similar types of unemployed workers are already available. That is, the skill mix of the unemployed in an area to which workers might migrate is an important as the local labor market climate.

The utilization of relocation assistance tended to be higher when information on employment opportunities in areas to which the displaced worker might migrate was provided. Relocation to those areas where workers have traditionally migrated seemed to be further encouraged when local employment offices took an active role in securing employment outside the local area. This process involves the active participation and cooperation among firms, those seeking employment, and local public employment offices. Without such involvement the worker is essentially left to determine labor market conditions in other areas alone. It should be noted, however, that many workers relocated in the absence of any program of relocation assistance, especially workers following traditional patterns of migration.

d. Enhancing Existing Programs

To increase program participation, the Canadians enriched their regular employment adjustment benefits. That is, the amount and/or the duration of benefits under a regular program is enhanced when applied to a specific hard hit industry or area. Ongoing programs were adapted by increasing eligibility and financial assistance in order to encourage greater program uptake. The rationale for such an approach is as follows. The process of industrial adjustment is continuous involving expansion in new industries and cutbacks in others. While the former process tends to be a self-reinforcing one with available benefits diffuse throughout the economy, the latter process tends to result in the problems and costs being concentrated on the workers immediately affected. This is particular the case in local communities strongly dependent on a declining industry. While regular government programs provide support for the ongoing adjustment processes, the purpose of enrichment was to facilitate the redeployment of workers in those areas where the decline was particularly severe.

Although program enrichment showed some success in accelerating worker redeployment, the key was program delivery, not enrichment. Service delivery was accomplished through local committees with representatives from local governments, community organizations, labor and business, very similar in structure to the adjustment committees set up under the Industrial Adjustment Service (IAS) program. Of course, program delivery cannot ignore the ingredients of the program to be delivered.

3. Temporary Wage and Employment Subsidies

There are essentially two types of wage subsidies, those to firms to maintain employment levels and those to firms to hire displaced workers. The objective of the former is to give firms a financial incentive to maintain and provide adjustment assistance to employees who might otherwise be displaced or laid off, while the objective of the latter type of subsidy is to encourage firms to hire workers displaced from industries in decline due to structural change. Such

subsidies have been used by several countries and may become a more important focus of future programs to encourage and support firms in making internal adjustments.

Japan relies almost exclusively on wage, sometimes coupled with training, subsidies to prevent unemployment and stabilize employment in structurally depressed industries. Under Japanese employment practices, it is very difficult for those once displaced to become reemployed. Subsidies to regular employers are one-half of wages of workers who are retained but would have been laid off and two-thirds of wages of workers who are compelled to be displaced but are trained beforehand. Subsidies to new employers are one-third of the wages paid for one year after hiring.

The evidence regarding the effectiveness of wage subsidies is mixed; they were neither extensively utilized nor promoted. Where subsidized hiring or internal adjustments were the norm, they tended to be more utilized. The monetary value of the subsidy was an important factor in the extent of utilization. In one case, the subsidies were clearly judged to be too small relative to the existing costs of hiring new employees.

Subsidies are capable of redistributing existing employment opportunities among groups of workers and, where assistance to a group is a clear intent of the program, subsidies can be effective. However, the benefits of this form of adjustment assistance are gained at the expense of a noticeable, but not unforeseen, lack of equity in the treatment of the unemployed. Prevention of unemployment and preferential hiring of the designated workers, rather than creation of additional jobs per se, appears to be the role which such subsidies can play in the adjustment process.

Evaluations of wage/employment subsidies focus mainly on distinguishing between net and gross employment effects. Two factors have raised concern that the net effects may be substantially smaller than the gross effects. Firms using the subsidies may hire workers when they intended to hire without the subsidies (substitution effects). Secondly, other unemployed workers may have been denied employment because they were not eligible for the subsidy (displacement effect).

Most nations utilizing temporary subsidies have recognized this problem and have established eligibility criteria for receipt of subsidies designed to reduce both effects. There was no hard evidence available on the influence of subsidies on the speed of adjustment, although in one instance it was judged that, during the limited duration of the subsidy, the speed of adjustment was relatively high.

Temporary subsidies by their nature do not generally last more than 9-12 months because, if they are continued over too lengthy a period, they will inhibit the process of worker and industrial adjustment. It was noted, however, that the subsidy program itself must be in

place a relatively long time to have an effect. Firms need to be made aware of the program benefits and that they will be available if and when needed. Their effect on the adjustment process must take into account what ultimately happens to displaced workers when the subsidy expires. In many programs, the expectation is that economic growth will be sufficient to create new employment opportunities for these workers; this effect has not been studied.

4. Income Maintenance Programs

Programs were designed to maintain the income of displaced workers during their period of unemployment by providing for a longer benefit period than the regular unemployment benefits system and/or by providing a weekly cash allowance over and above the normal unemployment benefit level. Unemployed workers in many countries were considered to be deserving of additional compensation when their unemployment was directly linked to changes which conferred benefits on the society as a whole. Also it was considered that since workers in industries undergoing structural change would probably experience more severe adjustment problems than other unemployed workers, they would need additional income support.

Although the programs tended to accomplish the objective of compensating displaced workers, they did not appear to smooth the process of adjustment. Weekly income maintenance payments to eligible displaced workers varied widely from country to country.

On efficiency grounds, income maintenance programs did not necessarily facilitate the adjustment process. Duration of unemployment was longer for workers receiving extended income maintenance than for those who received only regular unemployment insurance benefits. The longer jobless spells were not entirely unanticipated and, in fact, were believed to be necessary to allow the worker sufficient time to look for a suitable job at current or higher wages. There was no evidence, however, that increased duration of unemployment was associated with higher wages in new jobs. Thus, while additional income maintenance may satisfy equity considerations, it does have disincentive effects through lengthening the spell of unemployment. Also, since it is common in many countries to pay severance pay to displaced workers, income maintenance may simply add to an already large pot. However, some of the extended income maintenance programs for workers in specific industries were intended to provide a bridge for workers to early retirement programs. In these cases, it did smooth the adjustment process.

Beyond the overall financial costs, there is by design a lack of equity in the treatment of the unemployed that accompanies income maintenance programs for displaced workers. This is particularly important when differences in the amount of income available to eligible workers and non-eligible workers are large. To the extent that displaced workers were reemployed quickly, their payments were perhaps unnecessary and the program over-compensated them for their

loss. On the other hand, workers whose separation was more permanent, given their severe adjustment problems, may have been under-compensated. Again, this emphasized the need to target better in the design of measures to assist displaced workers.

5. Employment Generation

a. Public Sector Employment

Temporary public employment for displaced workers has been utilized as an alternative to the provision of income compensation to displaced workers, enabling them to retain their skills and improve their chances of reemployment. In some countries, it is used to retain workforces that may be important to individual communities. Also, they are good for morale as well as building up a community's infrastructure.

Evaluations of public sector job creation programs are limited, especially the extent to which the temporary period of employment actually resulted in workers adjusting to changing market conditions more efficiently. Generally, there was no evidence that temporary public employment reduced joblessness in the long run. The available evidence suggests that public sector job creation programs may serve as an effective bridge between jobs provided alternative employment opportunities become available. However, there was very little flow from these jobs to one in the private sector. In some cases they have caused an "extended dependence" on public employment in that workers remain in these jobs longer than was anticipated when the program was established.

b. New Private Sector Enterprises

Several countries are now allowing unemployed workers to use their Unemployment Insurance (U.I) benefit allowances to start their own firm. The British and French schemes have been in place the longest. In Britain's Enterprise Allowance Scheme (EAS), unemployed workers starting their own firms and willing put up at least $1,400 at the outset as a show of "earnest" can still collect their monthly UI income benefit. At present, about 2 percent of Britain's and 3 percent of France's unemployed are participating in such schemes. Britain as well as France have reported favorable results with such a program. For example, a 50 percent survival rate 36 months after startup on average, was reported. Also, some firms hired additional workers. There is usually a training component to the U.I. capitalization idea. Besides simply making U.I. recipients aware of this program option, it can be used to generate ideas about what businesses may be worth starting and what financial and other support is available. This would also allow interested workers to determine better whether their new enterprise idea is viable from a practical, marketing and financial standpoint. That is, the training component can serve as a useful screening device.

Foreign government officials feel that the program has been a success because it has allowed workers to start a small firm that fills a

niche in the market place between an individual doing a job himself or hiring a high-priced professional to do it. Also, many of the surviving businesses pay their proprietors a reasonable approximation to their market alternatives.

However, it was mentioned that the programs have not been adequately evaluated with the use of control groups to estimate how many workers would have started their own firm in absence of the program (deadweight), and how many workers who have started their own firms are displacing workers who might have found a job in the line-of-work that the self-employed person started (displacement effect). For example, if a person starts a house-painting business backed financially by the government, a house-painter by trade may become or remain unemployed because there is less work. Because of deadweight and displacement effects, it is estimated that only 1 of 4 jobs created under the British scheme is actually a "new" or "additional" job.

A recent evaluation (no control group) of the British and French programs found that they do not really reach the hard-to-place unemployed; participants were disproportionately from the unemployed likely to have less difficulty in obtaining a job. This is also typical in more traditional employment and training programs. Program participants in businesses that failed were not any more likely than nonparticipants to flow into regular employment. It was thought that maybe the ownership experience would enhance their employability. To gauge aggregate job creation under the program, the types of new businesses that are most likely to generate additional jobs were compared to the type of businesses being set up under the program. Job generating businesses are characterized by those requiring proprietor experience or skills, high capitalization, and least dependence on local markets. These were the least likely types of businesses capitalized by the program participants. Thus, aggregate long-run job creation potential is limited.

There is also the question of whether these programs, even if successful in Europe, are transferable to the U.S. The main reason that they were initiated, at least in Britain, was because government officials were certain that there was not sufficient strength in the economy in the coming decade to generate anywhere near enough jobs for those needing one. They wanted something other than public service and community-work jobs. Job creation in the U.S. is much stronger. A greater concern, however, relates to the fact that here, venture capital is more readily available and the "red tape" necessary to start a new firm is less cumbersome than in Europe. So, if the program is successful in Europe, is it because it fills a venture capital void and/or cuts through the red tape? Since neither of these factors are prevalent in the U.S., the program would not likely have the same success. On the other hand, if it's a failure there, it is almost sure to fail here. Early indications of the value of U.I. capitalization are mixed. However, there are enough positive outcomes to warrant further study and exploration of the idea before a more conclusive answer can be provided.

The private sector in Europe has also gotten into the entrepreneurial sponsorship and encouragement game. For instance, the British Steel Corporation fosters new economic development in areas where major steel closures have occurred. They provide technical and financial (unsecured loans) to startup and expanding firms. To date, 20,000 jobs have been created. Private sector support in other countries includes soft loans and seed money to small and mid-sized companies nonfinancial assistance to communities to help draft feasibility studies and to select and attract new firms, and ongoing managerial support. Perhaps the most unique idea is the Luxembourg steel company's "anti-crisis" division, a separate profit-making center within the company. Extra workers are reassigned to this division and then subcontracted out to other firms or to the government. There are incentives that make this a very workable idea. The company has an incentive to subcontract because workers are still paid while in the anti-crisis division. The government has an incentive to provide whatever assistance it can because it reduces transfer payments. For workers, it can help maintain skills and may lead to another job.

Revitalizing the local economy is another option. Promoting local area development and job creation in the face of a large-scale displacement resulting from a structural change has been based on two ideas: 1) a commitment to prevent workers from being forced to move in order to remain employed, and 2) a judgment by program administrators that a local economy can be made viable. The approach taken by each country reflects their attitude toward these ideas, although policies attempting to achieve both the relocation of displaced workers and local economic development can be found in several countries. Subsidies to firms in a local area to hire workers displaced from other local firms have been used when there was a relative abundance of alternative employment opportunities locally. These subsidies, however, were not extensively utilized. "Supply-side" oriented attempts to revitalize local communities hard-hit by displacements by enhancing the skills of workers residing there to attract new businesses to the area have also been used, but little evaluation material is available on them. Generally, the available material does not shed much light on the measures taken to promote local area redevelopment in depressed communities. It is known, however, that these measures take quite some time to show results.

6. Government-financed Early Retirement Programs

Incentives for older displaced workers to leave the labor force rather than seek new employment are provided through early retirement programs. This option is generally considered in situations where alternative employment opportunities for older workers are limited. Obviously, the use of early retirement schemes for particular industries which are undergoing structural changes are designed to allow workforce reductions through attrition.

The available evidence on these programs indicated that from the

standpoint of a national goal of lower unemployment this is a costly form of adjustment assistance, although the costs must be weighed against the unemployment payments which might otherwise have to be made to those workers. It may also free up jobs for younger workers. Furthermore, by allowing workers to retire voluntary with an income may help to achieve a more positive attitude toward change on the part of workers in general. However, unless they are carefully targeted, participation in the program may be unexpectedly high. Also, since there are generally few restrictions on workers who receive early retirement, recipients may in fact collect the benefits and return to the labor force. There is not necessarily a one-for-one tradeoff; firms often do not replace the early retiree. These factors have led to the conclusion that the use of early retirement as a public policy option should be resorted to only after a careful consideration of costs and potential effectiveness of alternative adjustment measures.

VI. APPENDIX

Exhibit 1. - References

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European Dismissal Legislation and Policies for Dislocated Workers, Susan Houseman, University of Maryland, September 1986.

The U.S. - Japan Comparative Study of Employment Adjustment, U.S. Department of Labor and Japan Ministry of Labor, 1985.

Transfer Payment and Diversion for Small Business Development: British and French Experience, Bendick and Egan Economic Consultants, August 1986.

Exhibit 2. Features of programs to assist displaced workers by selected countries.

Country	Feature			
	Extent of Program Coordination[1/]	Extent of Target Population[2/]	Wage Subsidies	Relocation Assistance
United States	Low	Broad	None	Yes
Canada	High	Narrow	Growth Firms	Yes
Sweden	High	Broad	Firms which provide training instead of layoffs	Yes
France	High	Narrow	Employers who hire the difficult to employ	Yes
W. Germany	High	Broad	Same as France plus OJT and settling-in allowance	Yes
United Kingdom	Medium	Broad	Employers who split a FT job into two PT ones	Yes
Japan	Medium	Narrow	Growth and declining firms; ranges from 1/4 to 3/4 of wages.	Yes
Australia	Medium	Narrow	Declining firms	Yes, (Special program)

1/ Subjective rank based on an active and visible agency, such as the Canadian Manpower Consultative Service and the German Federal Employment Institute, who has responsibility for overall coordination of employment and training policy.

2/ Subjective rank based on whether a country designates specific industries and/or geographical areas for assistance; those that do, received a "narrow" ranking.

Exhibit 2. continued

Country	Feature		
	U.I. benefits	Income Maintenance beyond U.I.3/	Training: how provided
United States	26-39 wks, amount varies by state; 35-40% of previous wage	Yes, Supplementary Unemployment Benefits (SUB) and/or Trade Adjustment Assistance	Publicly funded in public and private training institutions; OJT in firms
Canada	Usually 12 months, longer if in training; 50% of previous wage	Workers 55-64 years on permanent layoff with 10 years tenure	Use both public and private institutions
Sweden	300 days if under 55 yrs. of age, 450 days of 55 +; 80% of previous wage	Agreements may be negotiated in special circumstances	Public compulsory job vacancy requirement
France	Usually 12 months, 70% of previous wage	Workers in training or designated industries	Gov't financed training agreements between firm and Nat'l Vocat'l Assoc., 1.1% of firms wage bill must be spent on training
W. Germany	312 days at 68% of previous wage; drops to 50% for unlimited time.	Workers in designated industries or dismissed unwarrantably	Government incentives to firms to provide training; emphasize occupational mobility training
United Kingdom	312 days at $38/wk if single, $61/wk if married; amount based on need after 1 yr.	Lump sum, based on tenure and wage; 30 wks pay maximum or full salary if in training	Use both public and private institutions; emphasis on training youth
Japan	Ranges from 300 days if 55 + yrs. and 10 yrs. of tenure to 90 days if under 30 yrs.; and 1 yr. or less of tenure, 60-80% of previous wage	90 days for workers 40 yrs. + in designated industries	Wage subsidy to firm that conducts training

Australia	In 1980: $48.50 wk if single, $96.50 wk if married; rec'd while on active job search	No	Training allowances to workers

3/ Europe-Economic Community (EEC) countries also receive money for dislocated workers from EEC funds from levies on steel and coal production.

Exhibit 2. continued

Country	Feature			
	Tripartite coordination	Timing of program implementation	National advanced notification requirement	Job creation[4/]
United States	No, but Public Industry Councils under JTPA	Post	No	No
Canada	Yes	Prior	Yes, Industries under Federal jurisdiction and in 7 of 12 Provinces; 1 wk to 16 wks.	Government sponsored public or private sector employment
Sweden	Yes	Prior	Yes, notice rises as number affected rises	Temporary public relief work
France	Yes	Post	Yes, 2-14 wks depending upon reason and scale of dismissal	$3,420 from general revenues to unemployed to start own firm
W. Germany	Yes	Post	Yes, 30 days after notifying gov't	Government funded jobs in-the-public-interest for the long term unemployed
United Kingdom	Yes	Prior	Yes, rises as number affected rises; up to 90 days	$56/wk from UI plus $1,400 of your own to start new firm
Japan	Yes	Prior	Yes, "sufficient" time must be given for workers to comprehend problem	Wage subsidy to firms that hire displaced workers
Australia	Yes	Post	No	Temporary public service and pilot program to help unemployed to start own firm

4/ A number of countries also offer regional development assistance (loans and other incentives) to attract and/or develop jobs in certain localities.

Exhibit 2. continued

Country	Feature	
	Government supported early retirement	Work-time reduction schemes
United States	No	No
Canada	Yes	No
Sweden	Yes	No
France	Yes	Yes
W. Germany	Yes	Yes
United Kingdom	Yes	Yes
Japan	Yes	No
Australia	Yes (Compulsory at age 60)	No

Exhibit 3. Canada's Industrial Adjustment Program or "Honchoing" a Plant Shutdown

Objective

The Canadian government's Industrial Adjustment Service(IAS) Program, which was established in 1963 as the Manpower Consultative Service, facilitates the operation of the labor market by encouraging a consultative process and a cooperative response on the part of labor and management in both unionized and nonunionized firms. IAS operates as a catalyst in the development of labor deployment and redeployment strategies at the plant level to help workers adjust. It encourages the assumption by management of the responsibility for the development and implementation of private adjustment programs to meet industrial change. The categories of cases where the IAS is involved are plant closure, threat of layoff, technological change, plant expansion, transfer of workers, and high labor turnover. Thus, IAS has a role to play in good economic times as well as bad.

Principles

IAS is lean and flexible and very unbureaucratic in nature with a staff of around 60 professionals (only two or three at headquarters), all with several years of experience in the private sector. IAS staff members are viewed by the business community as very capable and creditable. They are dispersed throughout the Canadian provinces and are given a great deal of autonomy in dealing with individual cases. Both of these factors help the IAS to respond quickly. The speed of the response is considered vital to the effectiveness of the program and to the morale of the workforce. Of course, their ability to respond also depends upon their knowing about a situation beforehand or as soon as possible afterwards. Six of the ten Canadian provinces have plant closing laws that require 8 to 16 weeks advance notice of layoffs affecting 50 or more workers. The national government has a similar law for government-owned companies like the airlines and railroads. The IAS staff also collects information about impending layoffs by word-of-mouth, by a close monitoring of business journals and newspapers, and by continued calls on businesses and unions in their area.

In plant closing situations, the IAS tries to contact the firm within 24 hours of the closure announcement. They tell firms that it is good public relations to be able to say that the firm is doing something; IAS then advises the firm as to what it can do for itself. Standard statements used by the IAS staff to

employers in a plant closing situation that have proved to be very effective in gaining their cooperation are: "Let us ease the burden of your personnel people and overworked management staff" and "Tell us what you need." The IAS offer of help can be refused, participation is voluntary. Ninety-five percent of the time, the offer is accepted. The IAS approach involves the whole community (businessmen, trade unions, education officials, and local government representatives), asking how economic development can be addressed and how entrepreneurship can be encouraged. It should be noted that all IAS activities are suspended when collective bargaining or an industrial dispute arises; i.e., the IAS does not interfere with the normal collective bargaining process.

Method of Operation

Once a firm accepts an offer of help , IAS immediately negotiates a formal agreement (usually one page in length) . Normally, IAS sponsors only formal agreements with firms when 20 or more workers are involved. The agreement provides for the establishment of a labor-management committee (called the Labor Adjustment Committee) with an equal number of labor and management representatives with responsibility for assessing the adjustment problems and coming up with appropriate solutions. The committee functions at the worksite guided by an impartial chairman, often a retired businessman or labor leader selected by the committee. An IAS advisor usually serves on the committee, ex officia, as a resource person but keeps a low profile. The committee is a labor-management team, not a labor-management-government team. There is a financial incentive for firms to participate in the program because IAS agrees to pay 50 percent (100 percent in some cases) of the costs of the committee's work, including each member's time. Generally, the company funds the other 50 percent. Most agreements last from six months to a year.

The committee develops a skill profile and job network to identify possible placements for employees affected by plant closings or layoffs. They contact area employers requiring similar kind of workers, distant employers, and cooperating unions. The strategy is to uncover those job openings that may never be publicly announced and to make it easier for prospective employers to consider the displaced workers by coordinating as many of the selection steps as possible and actually doing some of them. Workers are assisted individually, by people who know them. If the individual worker cannot be placed, IAS can refer them to Canada's federally funded Employment Security system for relocation or retraining assistance. When the committee has done all that it can for placing dislocated workers , it terminates; the chairman writes a final report documenting the work of the committee.

Costs

The annual budget for the IAS program in recent years has been between $6 and $8 million (Canadian dollars) with IAS arranging from 400 to 600 labor-management agreements (or committees) per year. In FY 1982-83, IAS spent $4.6 million for operational expenditures, $4.8 million for salaries for 137 person-years and $0.5 million for operation and maintenance for a total of $9.9 million. Roughly $3.9 million was for its services to workers displaced in plant closures. Additional private contributions brought the total funding for these services to about $6.1 million. Per worker, the IAS portion of the cost was about $108; total spending, public and private, averaged about $171 per worker.

Evaluation

(1) IAS does not create jobs but facilitates the private sector in helping workers adjust to change.

(a) From 1971 to 1981, labor-management committees formed with IAS assistance found jobs for 66 of every 100 workers affected by plant closings, usually within a year.

(b) Partial records indicate that roughly 36,000 displaced workers were served in FY 1982-83. A survey of approximately 39 percent of the program participants that year found that IAS-assistance reduced the jobless spell by an average of two weeks. IAS officials reported that, since the beginning of the program, the average duration of unemployment for IAS-assisted displaced workers was 7 and a half weeks compared to 22 weeks, on average, for regular UI recipients.

(c) A 1984 case study of one firm with 791 workers showed that duration of unemployment was much longer for older than younger workers. However, once reemployed, older workers' weekly earnings were only 4 percent lower than in their previous job. Reemployed younger workers suffered a 25 percent decline in weekly earnings. The study also found that roughly 10 percent of all those reemployed were unemployed one year later.

(2) The IAS program is widely perceived as contributing to improved labor-management relations.

(3) The IAS program has helped reduce worker resistance to change.

Transferability of IAS program to the U.S.

Reasons the program may be transferable are:

(1) It has worked in Canada and their economy is similar to ours -- deregulating and facing increasing global competition with the same sectors experiencing problems. Moreover, many of

their companies are U.S. branches with workers represented by Canadian branches of the same union.

(2) Employer and employee participation in the program is completely voluntary.

(3) The program, although not a big budget item , is very cost-effective. It virtually pays for itself by shortening duration of unemployment which, in turn, lowers unemployment compensation outlays and returns the worker to a tax-paying job.

Reasons the program may not be transferable are:

(1) To be effective, the program requires advanced notification of a plant shutdown or large layoff.

(2) The program has a broad mandate that goes beyond helping employers and employees in plant closing situations:

(a) IAS helps employers and communities with labor shortage and other problems. This helps avoid both the negative stigma of only being associated with shutdowns and the staff underutilization when the economy is more robust. However, U.S. firms may be hesitant to accept advice from a government source on issues deemed internal to the firm like technical change and recruitment. The agency would have to establish credibility first, which could take several years.

(b) IAS also provides economic development and other job-attracting assistance to communities. Job search and economic development assistance responsibilities are under separate agencies in the U.S.

(3) The Canadian Employment Security system is better suited than the Employment Service in the U.S. to provide relocation and retraining assistance to workers referred by another program like IAS.

Exhibit 4. Workforce Reductions in Steel: A Comparison of European and U.S. Approaches

The steel industry has posed one of the greatest challenges to policymakers in the area of economic adjustment and worker dislocation. Since the mid-1970s U.S. and European steel industries have undergone similar restructuring involving cutbacks in capacity, modernization, and massive workforce reductions. Reflecting different public policies and private sector practices, the U.S. and European industries achieved these workforce reductions in markedly different ways. The principal findings of a comparative study of adjustment in steel are summarized below.

(1) Steelworkers in Continental countries received relatively strong job security vis-a-vis U.S. and U.K. workers.

In Continental countries, companies relied extensively on early retirement and other shorter working time measures to avoid layoff. Governments have helped subsidize the costs of early retirement and work sharing. In the U.S. and U.K. steel companies made much greater use of layoff, often accompanied by large severance payments. Public policy in the U.S. and the U.K. has been oriented more towards income maintenance and retraining of dislocated workers.

(2) Job security on the Continent has not precluded workforce reductions, restructuring, and productivity gains. European labor policies served less to slow the rate of employment reduction compared to the U.S. than to smooth it.

Job security, in general has not saved jobs permanently. Comparisons of the U.S., French, and German steel industries show little or no evidence of labor hoarding, as measured by total hours worked, on the Continent. While German and French firms tended to smooth the adjustment of employment levels to declines in production to a far greater extent than in the U.S., they nonetheless achieved reductions in workforces and increases in labor productivity. If the adjustment costs to a regional economy increase with the rate of layoff, then such a smoothing may be economically efficient.

(3) Comparing distributional effects, workforce reduction programs in Europe have shifted more of the adjustment costs from workers to the government, not onto firms.

Despite extensive income security provisions protecting American steelworkers, particularly senior workers, job security and early retirement programs in Continental countries have resulted in more equitable treatment of workers than in the U.S.

In certain countries, notably Luxembourg, workers accepted wage moderation or wage cuts early in the restructuring process to help finance job security measures through wage cuts early in the restructuring process. European governments, in turn, have helped underwrite the costs of these measures through general labor programs and special policies targeting steel. As a consequence, the greater security of European workers did not necessarily result in higher labor costs for companies in comparison with the U.S. For example, early retirement schemes were a key component of workforce reduction programs in the U.S., Germany, and France. Despite its more extensive use in Europe, early retirement costs as a percentage of total labor costs tended to be no higher in Germany and France than in the U.S.

(4) Europeans have developed a number of innovative public and private sector programs to assist dislocated steelworkers. Several are outlined below.

France: Counseling, Retraining, and Entrepreneurship

In recent years French steel companies have relied more extensively on retraining and relocation of workers in other sectors. Steel companies provide extensive screening counseling, and placement services. Steelworkers may participate in a retraining course for up to 2 years during which time they are guaranteed 65% of their former salary. Elements of the program considered crucial to its success are (1) close tripartite coordination at the local level, (2) careful screening and counseling of workers prior to layoff, and (3) the fact that the incentive for workers to look for new employment is retained, since they may capitalize part of their benefits if they find a new job or start their own company.

Luxembourg: Subcontracting out Excess Steelworkers

In Luxembourg a tripartite agreement between government, the steel company ARBED, and the unions helped achieve the orderly adjustment of labor out of the steel sector, which in the early 1970s accounted for 1/3 of industrial employment and 1/6 of total employment in the country. Rather than laying off workers or cutting back on hours, ARBED created a separate profit-making center in which it placed excess steelworkers. These workers, guaranteed their former wage, in turn, were subcontracted out to other companies, or in some cases, for government works. All parties benefited from the scheme and helped pay the costs. The government, which on net was saving on unemployment compensation, provided a subsidy covering about 15% of the wages of the workers placed in the special division. Workers accepted wage cuts in return for job security. The company, minimizing resistance to change from the workforce, was able to realize substantial productivity gains in the steel sector and draw on the division when production rose.

U.K.: Small Business Development

The British Steel Corporation created a subsidiary BSC Industry to assist communities affected by plant closures. BSC Industry has helped organize local government and business in developing programs for economic revitalization. The focus of its efforts is the promotion of small business. A major initiative of BSC Industry has been the establishment of industry workshop complexes in former steel plants. BSC provides tenants with business advice and central services. While paying competitive market rents, businesses must provide only one month notice prior to terminating a lease, thus substantially reducing their financial risk. BSC Industry, which is self-financing, has been widely emulated by other public-backed and private bodies in Britain.

APPENDIX B

Sectoral Changes in Employment Due to Plant Openings and Closings, 1963-1982

SECTORAL CHANGES IN EMPLOYMENT DUE TO PLANT OPENINGS AND CLOSINGS, 1963-1982

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1. Introduction

Employment change in the manufacturing sector is a dynamic process involving the opening of new plants, and the expansion, contraction and closing of existing plants. By examining only one of these components it is not possible to get an accurate picture of the labor adjustment process.

In order to break the total change in employment between two points in time into components due to plant openings, plant closings, or changes in the size of continuing plants it is necessary to have time-series data on individual manufacturing establishments. This report provides evidence on this adjustment process based on a newly constructed Census Bureau data base which matches individual manufacturing establishment across the last five Census of Manufactures. Using this data base it is possible to identify the entry, growth, and exit of each manufacturing establishment across the census years 1963, 1967, 1972, 1977 and 1982. Measures of the change in employment due to the entry of new plants as well as the expansion, contraction, and exit of existing plants will be constructed between each pair of census years based on a detailed set of plant characteristics. The characteristics include 1) the two-digit SIC industry 2) the geographic region in which the plant is located 3) the initial employment size class 4) the organizational type 5) the plant's entry cohort or age. The disaggregation of plant employment changes by these five characteristics provides a detailed basis for analyzing employment fluctuations which has not been previously available.

As partial fulfillment of this contract a computer tape is provided which gives this five way breakdown for both the number of manufacturing establishments and change in employment between each adjoining pair of census years. The remainder of this report contains a discussion of how manufacturing establishments are classified and how employment change is

measured using the Census of Manufactures data. In addition, attached tables provide the employment breakdown for the whole manufacturing sector and for each of the five characteristics taken separately.

2. Measuring Plant Entry, Growth, and Exit with the Census of Manufactures Data

The most recent Census of Manufactures provide a complete canvassing of every manufacturing establishment in operation in the years 1963, 1967, 1972, 1977 and 1982. While the census is taken with the goal of providing an accurate cross-sectional picture of the manufacturing sector in a single year, several projects have recently been undertaken at the Census Bureau to match individual plant observations across the last five census years. As part of the construction of the Longitudinal Establishment DATA (LED) file individual establishments were linked across the 1972 and 1977 censuses. This linking was carried forward to the 1982 census by the staff of the Industry Division at the Census Bureau. The time-linking was carried backward to the 1967 and 1963 census by Mark Roberts and Timothy Dunne as part of a research project on firm entry, growth, and exit.

The total number of manufacturing establishments is 305,768 in 1963, 305,620 in 1967, 312,402 in 1972, 350,648 in 1977 and 348,385 in 1982. This alone indicates that there was substantial entry of new plants between 1972 and 1977 because there are 12.2 percent more plants in existence in the later year. The relative stability in the total number of plants for the periods 1963-1972 and 1977-1982 does not imply that substantial entry and exit did not occur over these periods. In order to disaggregate the net change in the number of plants, and corresponding net change in employment, it is necessary to use time-linked data on individual plants.

In order to accurately interpret the employment flows measured from this data it is necessary to have a basic understanding of how the plant data has been linked over time. There are basically two ways in which a plant can be matched over time. First is through a plant ID number which generally remains constant over time if there are no ownership changes for the plant. Second is through the use of a plant specific number assigned to the approximately 70,000 plants in the Annual Survey of Manufactures (ASM) sample. This code remains constant over time for a plant as long as it remains in the ASM sample. The ASM sample is more heavily weighted toward larger establishments and multi-unit establishments. The latter are establishments owned by a firm which owns more than one establishment. The implication of this is that the matching process will be most accurate for plants, regardless of size or organizational type, which do not undergo ownership changes between adjoining censuses. For plants which are involved in substantial reorganizations the matching will be best for large multi-unit establishments. This group, in particular, is responsible for the vast majority of manufacturing employment.

Table 1 provides a summary of the match rates for all manufacturing establishments across the 5 census years. There are 822,190 unique manufacturing establishments in the data set. Of these, 394,697 (48.0 percent) match over at least two consecutive census years, 417,271 (50.8 percent) only appear in one census and the remaining 10,222 (1.2 percent) match across nonconsecutive years.

A better way of summarizing the match rates is to ask what percentage of the plants present in each census match at least one other census. Of the plants present in the 1963 census, 68.4 percent are present in another census. For 1967, 1972, 1977 and 1982 the percentages are 83.9, 81.7, 77.9 and 60.8. The percentages are lower for 1963 and 1982 because they are the endpoints of

Table 1

Number of Establishment Matches

	1963	1967	1972	1977	1982	Number
Present in consecutive years						
1)	X	X	X	X	X	64775
2)	X	X	X	X		26649
3)		X	X	X	X	22652
4)	X	X	X			38039
5)		X	X	X		10352
6)			X	X	X	45338
7)	X	X				72358
8)		X	X			16501
9)			X	X		25476
10)				X	X	72557
						394697
Present in a single year						
11)	X					96502
12)		X				49262
13)			X			57324
14)				X		77469
15)					X	136714
						417271

This table does not include 10,222 establishments which matched across nonconsecutive years.

the sample period. Many of the plants which only appear in 1963 would also appear in the 1958 census, and similarly many of the plants unique to 1982 will appear in the 1987 census.

Overall, we feel that the matching process is quite accurate in identifying and tracking individual establishments over time. If there is error in the plant matching it is most likely to occur for small, single-unit establishments which are not part of the ASM sample and which undergo ownership changes or legal reorganizations between the census years. For this reason, and also because census data for very small establishments (generally less than twenty employees) are not collected and verified through the same process as larger establishments, it is best to limit attention to establishments with twenty or more employees.

Using the time-linked establishment data it is possible to separately identify new, continuing, and exiting plants in each census year. A plant is defined as a new plant in the first census in which it appears. For example plants classified as new plants in the 1982 census did not appear in the 1977 census but were in operation in 1982. Continuing plants appear in two adjoining censuses and these are further divided into growing and declining plants based on whether their total employment increased or decreased between the two years. Failing plants are plants which appear in the first of two adjoining census years but have no manufacturing employment in the second. For example, plants identified as failures between 1977 and 1982 were in existence in 1977 but were either not found in 1982 or were identified in 1982 but had no employment in that year. To be identified as a failure a plant must either not exist in operation or have no employment in the latter census year.

Each manufacturing establishment will be classified by the following five characteristics:

1. The two-digit SIC industry which accounts for the primary product of the plant. The 20 two-digit SIC industries in the manufacturing sector are:

SIC	Industry Name
20	Food and Kindred Products
21	Tobacco Manufactures
22	Textile Mill Products
23	Apparel, Other Textile Products
24	Lumber and Wood Products
25	Furniture and Fixtures
26	Paper and Allied Products
27	Printing and Publishing
28	Chemicals and Allied Products
29	Petroleum and Coal Products
30	Rubber and Miscellaneous Plastics
31	Leather and Leather Products
32	Stone, Clay, Glass Products
33	Primary Metal Industries
34	Fabricated Metal Products
35	Machinery, Except Electrical
36	Electrical, Electronic Equipment
37	Transportation Equipment
38	Instruments, Related Products
39	Miscellaneous Manufacturing Industries

2. Geographic region where the plant is located. The nine geographic regions and the states which they include are:

1 New England - ME, NH, VT, MA, CT, RI
2 Middle Atlantic - NY, NJ, PA
3 East North Central - OH, IN, IL, MI, WI
4 West North Central - MN, IA, MO, KS, NE, SD, ND
5 South Atlantic - DE, MD, VA, WV, NC, SC, GA, FL
6 East South Central - KY, TN, AL, MS
7 West South Central - OK, AR, LA, TX
8 Mountain - MT, ID, WY, CO, UT, NV, NM, AZ
9 Pacific - CA, WA, OR, HI, AK

3. The employment size class of the plant in its initial year of observation (either 1963 or the first census in which it appears). The five size classes to be used are:

1-19 employees
20-99 employees
100-249 employees
250-499 employees
over 500 employees

4. The organization type of the plant distinguishes plants which are owned by multi-plant firms from plants which are owned by single plant firms.

The latter tend to be smaller plants and have higher entry and exit rates.

5. The plant's entry cohort. This is the first census year in which the plant appears. This allows the effect of plant age on growth or failure to be examined.

In total there are twenty industries, nine regions, five employment size classes, two organization types, and five cohorts which gives 9,000 separate classification cells.

Manufacturing establishments which do not appear across consecutive census years are classified as entrants when they reenter the census. For example, a plant observed in 1963, 1967 and 1977 would be classified as a continuing establishment (either growing or declining) in 1967, a failed or exiting plant in 1972 and a new plant in 1977. Plants can be missing from a census year because they were not in operation or because the matching process was unable to identify the plant in the missing year. There is no way, at this point, that we can assess which of these explanations is more accurate, however, the relatively small number of plants (10,222 out of 822,190) indicate that it is not going to greatly affect the summary measures reported in this paper.

3. Summary Measures of Employment Change and Number of Plants

Each plant is classified by the five categories; industry, region, size class, organizational type, and cohort. Summary measures of the number of establishments and employment change for the total manufacturing sector and for each of the five categories are reported in the following tables. The tables are organized as follows.

All Manufacturing Sector:	Tables 2 and 3
Industry Breakdown:	Tables 4 and 5

Regional Breakdown:	Tables 6 and 7
Organization Type Breakdown:	Tables 8 and 9
Size Class Breakdown:	Tables 10 and 11
Cohort Breakdown:	Tables 12 and 13.

In each case the first table presented disaggregates the total change in employment between two census years into employment in new plants, the change in employment in plants which grew in employment or remained the same, the change in employment in plants which declined in employment, and the reduction in employment due to plants which did not appear in the latter census. The second table presented provides the same information for the number of manufacturing establishments.

For example, table 2 reports the change in employment for the whole manufacturing sector. The first line provides the breakdown for the measured change in employment between the 1963 and 1967 censuses. The first column, labelled "new plants", is the total 1967 employment for the establishments with more than nineteen employees which first appear in the 1967 census. The next two columns give the change in employment for plants which are in operation in both census years. The "failures" column gives the reduction in 1963 employment due to the fact that these plants were not in operation in 1967. The final column is the total change in employment between the two census years and is equal to the sum of the first four columns.

Table 3 provides a similar breakdown for the number of manufacturing establishments. The final column is "net entry" which is the number of new plants minus the number of failing plants (column one minus column four). The remaining tables have the same format and report numbers for each of the one-way classifications over the five plant characteristics. These tables are constructed from the complete five-way classification of each manufacturing plant. The complete five-way breakdown is provided on computer tape.

TABLE 2

CHANGE IN MANUFACTURING EMPLOYMENT
(establishments with greater than 19 employees)
(thousands of employees)

Year	New Plants	Growing Plants	Declining Plants	Failures	Total
1963-1967	2652.1	2648.7	-1079.0	-2181.4	2040.4
1967-1972	3050.8	1664.8	-2473.5	-2994.2	-752.1
1972-1977	2269.6	2037.9	-2068.5	-2096.5	142.5
1977-1982	2536.2	1694.1	-2749.3	-2620.8	-1139.9

TABLE 3

NUMBER OF MANUFACTURING ESTABLISHMENTS
(establishments with greater than 19 employees)

Year	New Plants	Growing Plants	Declining Plants	Failures	Net Entry
1963-1967	24,810	46,530	29,806	22,843	1967
1967-1972	35,946	32,078	35,500	33,568	2378
1972-1977	28,558	38,542	38,429	26,553	2005
1977-1982	28,501	33,218	43,208	29,103	-602

TABLE 4

CHANGE IN MANUFACTURING EMPLOYMENT BY SECTOR
(establishments with greater than 19 employees)
(thousands of employees)

Year	New Plants	Growing Plants	Declining Plants	Failures	Total
SIC 20: Food and Kindred Products					
1963-1967	202.6	175.7	-114.0	-252.5	11.8
1967-1972	264.4	161.0	-155.0	-348.8	-78.3
1972-1977	185.0	170.9	-176.3	-230.1	-50.6
1977-1982	196.1	172.8	-161.4	-258.3	-50.8
SIC 21: Tobacco Manufactures					
1963-1967	7.1	6.1	-6.5	-8.9	-2.3
1967-1972	3.6	8.3	-8.1	-12.2	-8.4
1972-1977	3.8	6.5	-8.9	-7.1	-5.6
1977-1982	1.2	8.5	-8.4	-3.7	-2.5
SIC 22: Textile Mill Products					
1963-1967	110.7	99.8	-57.6	-96.0	56.9
1967-1972	164.3	104.9	-100.0	-147.4	22.2
1972-1977	101.3	77.4	-122.3	-133.4	-77.0
1977-1982	91.4	50.7	-142.0	-146.3	-146.2
SIC 23: Apparel and Other Textile Products					
1963-1967	299.3	145.2	-111.3	-270.8	62.4
1967-1972	380.0	127.9	-149.7	-360.7	-2.5
1972-1977	291.9	130.8	-186.4	-287.3	-51.0
1977-1982	236.6	104.4	-193.5	-306.7	-159.1
SIC 24: Lumber and Wood Products					
1963-1967	104.3	48.8	-53.4	-87.8	11.9
1967-1972	199.8	57.9	-49.5	-135.1	73.0
1972-1977	140.9	61.8	-80.6	-130.5	-8.5
1977-1982	95.0	26.7	-119.3	-126.5	-124.1

TABLE 4 (Continued)

Year	New Plants	Growing Plants	Declining Plants	Failures	Total
SIC 25: Furniture and Fixtures					
1963-1967	57.9	61.6	-20.4	-50.7	48.3
1967-1972	97.3	54.8	-35.3	-75.7	41.1
1972-1977	71.1	50.9	-57.3	-70.3	-5.6
1977-1982	73.6	36.3	-61.7	-86.3	-38.1
SIC 26: Paper and Allied Products					
1963-1967	88.3	62.6	-30.7	-76.7	43.4
1967-1972	82.0	47.9	-64.0	-81.7	-15.7
1972-1977	58.1	50.6	-64.7	-54.1	-10.1
1977-1982	43.2	43.2	-67.7	-71.0	-36.4
SIC 27: Printing and Publishing					
1963-1967	160.7	121.3	-37.9	-140.2	103.8
1967-1972	196.8	74.5	-75.3	-207.7	-11.6
1972-1977	133.5	87.4	-104.3	-115.4	1.1
1977-1982	179.3	122.6	-78.8	-138.6	84.6
SIC 28: Chemicals and Allied Products					
1963-1967	89.8	118.1	-50.2	-60.7	96.9
1967-1972	106.0	82.5	-100.4	-98.9	-10.9
1972-1977	74.0	103.0	-95.7	-56.9	24.4
1977-1982	77.9	81.6	-99.4	-84.3	-24.3
SIC 29: Petroleum and Coal Products					
1963-1967	13.3	6.1	-19.4	-12.5	-12.5
1967-1972	11.7	10.7	-12.8	-12.2	-2.6
1972-1977	8.7	14.1	-11.6	-6.7	4.6
1977-1982	13.2	14.0	-17.5	-9.3	.5
SIC 30: Rubber and Plastic Products					
1963-1967	85.7	78.1	-31.4	-49.5	82.9
1967-1972	143.9	65.6	-55.5	-86.1	67.9
1972-1977	106.0	86.5	-68.2	-70.2	54.1

TABLE 4 (Continued)

Year	New Plants	Growing Plants	Declining Plants	Failures	Total
SIC 31: Leather and Leather Products					
1963-1967	46.1	34.1	-25.1	-54.7	.4
1967-1972	41.3	25.6	-38.7	-81.6	-53.5
1972-1977	26.7	24.5	-37.5	-48.0	-34.4
1977-1982	33.8	17.3	-31.6	-58.6	-39.1
SIC 32: Stone, Clay, and Glass Products					
1963-1967	79.9	55.1	-44.6	-74.0	16.3
1967-1972	98.3	53.0	-52.6	-95.1	3.5
1972-1977	75.9	47.5	-73.7	-70.4	-20.7
1977-1982	65.4	28.5	-103.1	-74.1	-83.3
SIC 33: Primary Metal Industries					
1963-1967	102.2	148.1	-61.8	-73.1	115.4
1967-1972	101.9	65.4	-157.2	-125.5	-115.4
1972-1977	72.2	87.9	-105.5	-83.5	-28.9
1977-1982	77.3	38.1	-254.0	-115.5	-254.1
SIC 34: Fabricated Metal Products					
1963-1967	236.7	243.1	-69.4	-146.1	264.3
1967-1972	267.6	122.2	-205.9	-259.1	-75.3
1972-1977	199.8	162.2	-178.2	-160.2	23.6
1977-1982	202.4	104.6	-261.6	-201.8	-156.4
SIC 35: Machinery, Except Electrical					
1963-1967	259.3	344.5	-62.2	-183.8	357.8
1967-1972	297.4	157.9	-293.3	-274.9	-122.9
1972-1977	256.0	288.4	-185.5	-190.4	168.6
1977-1982	365.8	214.5	-321.3	-264.9	-6.0
SIC 36: Electric and Electronic Equipment					
1963-1967	271.1	343.4	-103.2	-187.0	324.3
1967-1972	254.9	183.7	-335.8	-265.4	-162.6
1972-1977	201.5	229.9	-229.0	-157.5	44.9
1977-1982	338.5	257.1	-254.1	-202.1	139.4

TABLE 4 (Continued)

Year	New Plants	Growing Plants	Declining Plants	Failures	Total
SIC 37: Transportation Equipment					
1963-1967	294.5	417.4	-136.4	-236.9	338.6
1967-1972	169.2	171.4	-468.3	-160.5	-288.1
1972-1977	115.9	227.4	-194.9	-105.1	43.3
1977-1982	137.7	216.7	-348.5	-176.7	-170.9
SIC 38: Instruments and Related Products					
1963-1967	85.3	91.8	-25.3	-101.7	50.2
1967-1972	80.2	47.5	-74.3	-121.5	-68.1
1972-1977	83.5	85.1	-35.6	-51.3	81.6
1977-1982	106.3	79.7	-59.3	-75.8	50.8
SIC 39: Miscellaneous Manufacturing Industries					
1963-1967	57.4	47.9	-18.1	-17.7	69.4
1967-1972	90.2	42.2	-42.3	-44.0	46.0
1972-1977	63.8	45.2	-52.4	-67.9	-11.3
1977-1982	64.2	26.0	-60.6	-83.5	-53.9

TABLE 5

NUMBER OF MANUFACTURING ESTABLISHMENTS BY SECTOR
(greater than 19 employees)

Year	New Plants	Growing Plants	Declining Plants	Failures	Net Entry
SIC 20: Food and Kindred Products					
1963-1967	2446	6165	4616	3292	-846
1967-1972	3309	4453	4214	5460	-1251
1972-1977	2240	4408	4289	3279	-1039
1977-1982	2100	4085	3649	3203	-1103
SIC 21: Tobacco Manuractures					
1963-1967	23	65	111	53	-30
1967-1972	31	43	88	68	-37
1972-1977	19	42	69	51	-32
1977-1982	10	32	66	32	-22
SIC 22: Textile Mill Products					
1963-1967	954	1894	1529	890	64
1967-1972	1409	1478	1509	1390	19
1972-1977	1011	1376	1756	1264	-253
1977-1982	793	1073	1792	1278	-485
SIC 23: Apparel and Other Textile Products					
1963-1967	3449	4546	4707	3737	-288
1967-1972	4536	3421	4186	5095	-559
1972-1977	4205	3207	4456	4484	-275
1977-1982	3297	2884	4514	4470	-1173
SIC 24: Lumber and Wood Products					
1963-1967	1644	2273	2309	1586	58
1967-1972	2774	1889	1989	2348	426
1972-1977	2184	2100	2514	2038	146
1977-1982	1621	1383	3334	2081	-460

TABLE 5 (Continued)

Year	New Plants	Growing Plants	Declining Plants	Failures	Net Entry
SIC 25: Furniture and Fixtures					
1963-1967	730	1492	966	677	53
1967-1972	1220	1198	985	1005	215
1972-1977	969	1144	1326	933	36
1977-1982	939	976	1396	1067	-128
SIC 26: Paper and Allied Products					
1963-1967	707	1844	1108	613	94
1967-1972	948	1324	1430	905	43
1972-1977	729	1384	1674	644	85
1977-1982	636	1345	1680	762	-126
SIC 27: Printing and Publishing					
1963-1967	1711	3752	1863	1597	114
1967-1972	2763	2570	2378	2378	385
1972-1977	2004	2958	2993	1760	244
1977-1982	2439	3539	2459	1957	482
SIC 28: Chemicals and Allied Products					
1963-1967	962	1928	1216	818	144
1967-1972	1268	1379	1495	1232	36
1972-1977	890	1846	1515	781	109
1977-1982	930	1573	1703	975	-45
SIC 29: Petroleum and Coal Products					
1963-1967	149	254	298	148	1
1967-1972	179	295	241	165	14
1972-1977	145	328	272	115	30
1977-1982	216	278	321	146	70
SIC 30: Rubber and Plastic Products					
1963-1967	982	1410	623	593	389
1967-1972	1804	1140	914	961	843
1972-1977	1566	1671	1325	862	704
1977-1982	1586	1433	1908	1221	365

TABLE 5 (Continued)

Year	New Plants	Growing Plants	Declining Plants	Failures	Net Entry
SIC 31: Leather and Leather Products					
1963-1967	322	853	723	457	-135
1967-1972	425	507	701	690	-265
1972-1977	318	529	606	498	-180
1977-1982	314	379	605	469	-155
SIC 32: Stone, Clay, and Glass Products					
1963-1967	1213	1747	1790	1113	100
1967-1972	1664	1617	1568	1565	99
1972-1977	1202	1647	2023	1179	23
1977-1982	996	1235	2462	1175	-179
SIC 33: Primary Metal Industries					
1963-1967	754	2109	779	621	133
1967-1972	952	1160	1514	968	-16
1972-1977	746	1536	1437	653	93
1977-1982	735	997	1927	795	-60
SIC 34: Fabricated Metal Products					
1963-1967	2448	5160	2422	1875	573
1967-1972	3548	3325	3858	2847	701
1972-1977	2798	4413	4198	2120	678
1977-1982	3019	3557	5271	2581	438
SIC 35: Machinery, Except Electrical					
1963-1967	2541	4907	1682	1740	801
1967-1972	3344	2440	3904	2786	558
1972-1977	2963	4459	3171	2058	905
1977-1982	3674	3548	4556	2489	1185
SIC 36: Electric and Electronic Equipment					
1963-1967	1517	2384	1000	1125	392
1967-1972	2245	1471	1678	1752	493
1972-1977	1757	2233	1814	1347	410
1977-1982	2329	2144	2095	1565	764

TABLE 5 (Continued)

Year	New Plants	Growing Plants	Declining Plants	Failures	Net Entry
SIC 37: Transportation Equipment					
1963–1967	862	1384	615	650	212
1967–1972	1534	863	1049	949	585
1972–1977	1073	1321	1145	980	93
1977–1982	1015	1028	1440	1071	-56
SIC 38: Instruments and Related Products					
1963–1967	771	1123	619	1028	-257
1967–1972	841	461	65[illegible]	1401	-560
1972–1977	784	884	527	542	242
1977–1982	956	860	622	713	243
SIC 39: Miscellaneous Manufacturing Industries					
1963–1967	625	1240	830	230	395
1967–1972	1152	1044	1148	503	649
1972–1977	955	1056	1319	969	-14
1977–1982	896	869	1408	1053	-157

TABLE 6

CHANGE IN MANUFACTURING EMPLOYMENT BY REGION
(establishments with greater than 19 employees)
(thousands of employees)

Year	New Plants	Growing Plants	Declining Plants	Failures	Total
Region 1: New England (ME,NH,VT,MA,CT,RI)					
1963-1967	182.5	219.8	-95.1	-191.7	115.5
1967-1972	203.5	99.0	-246.1	-281.6	-225.2
1972-1977	157.7	159.0	-158.4	-166.6	-8.2
1977-1982	195.2	141.2	-150.3	-195.8	-9.7
Region 2: Middle Atlantic (NY,NJ,PA)					
1963-1967	503.6	537.7	-279.7	-550.9	210.7
1967-1972	599.4	281.1	-559.4	-793.4	-473.3
1972-1977	381.1	317.1	-439.7	-562.6	-304.1
1977-1982	400.2	255.2	-480.6	-521.0	-346.1
Region 3: East North Central (OH,IN,IL,MI,WI)					
1963-1967	541.0	719.5	-224.3	-464.1	572.2
1967-1972	533.1	402.4	-616.5	-642.0	-323.0
1972-1977	396.1	457.3	-516.1	-400.2	-62.9
1977-1982	383.8	216.7	-916.9	-587.0	-903.5
Region 4: West North Central (MN,IA,MO,KS,NE,SD,ND)					
1963-1967	163.0	183.1	-54.2	-119.9	172.0
1967-1972	195.4	113.3	-157.9	-183.2	-32.4
1972-1977	137.7	151.2	-120.9	-110.9	57.0
1977-1982	147.4	117.5	-170.9	-164.2	-70.2
Region 5: South Atlantic (DE,MD,VA,WV,NC,SC,GA,FL)					
1963-1967	392.2	318.4	-128.2	-242.1	340.3
1967-1972	526.3	278.1	-273.6	-377.3	153.6
1972-1977	366.9	273.6	-306.4	-307.4	26.6
1977-1982	403.9	285.6	-353.1	-343.3	-7.6

TABLE 6 (Continued)

Year	New Plants	Growing Plants	Declining Plants	Failures	Total
Region 6: East South Central (KY,TN,AL,MS)					
1963-1967	203.3	162.2	-55.8	-110.7	199.0
1967-1972	229.8	149.4	-104.0	-149.9	125.4
1972-1977	159.1	149.6	-148.7	-109.1	50.9
1977-1982	170.2	96.0	-216.6	-169.4	-119.8
Region 7: West South Central (OK,AR,LA,TX)					
1963-1967	192.8	163.9	-54.8	-108.8	193.1
1967-1972	262.0	135.4	-116.3	-168.2	112.9
1972-1977	230.5	176.5	-129.4	-132.7	144.9
1977-1982	282.8	178.0	-158.5	-184.0	118.4
Region 8: Mountain (MT,ID,WY,CO,UT,NV,NM,AZ)					
1963-1967	48.5	44.0	-33.8	-32.7	26.1
1967-1972	85.6	46.7	-28.4	-58.0	45.9
1972-1977	77.0	57.5	-35.9	-43.5	55.2
1977-1982	101.2	74.8	-53.6	-61.1	61.3
Region 9: Pacific (CA,WA,OR,HI,AK)					
1963-1967	425.1	300.1	-153.1	-360.7	211.4
1967-1972	415.8	160.4	-371.4	-340.6	-135.9
1972-1977	363.4	296.2	-213.1	-263.4	183.1
1977-1982	452.1	329.0	-248.9	-394.9	137.3

TABLE 7

NUMBER OF MANUFACTURING ESTABLISHMENTS BY REGION
(greater than 19 employees)

Year	New Plants	Growing Plants	Declining Plants	Failures	Net Entry
Region 1: New England (ME,NH,VT,MA,CT,RI)					
1963-1967	1786	4023	2627	1842	-56
1967-1972	2340	2332	3335	2769	-429
1972-1977	1880	2970	3021	2016	-132
1977-1982	2034	2725	2989	2161	-127
Region 2: Middle Atlantic (NY, NJ,PA)					
1963-1967	6056	11750	8834	6808	-752
1967-1972	7763	7294	9701	9645	-1882
1972-1977	5570	7737	9429	7592	-2022
1977-1982	4902	6874	8871	6991	-2089
Region 3: East North Central (OH,IN,IL,MI,WI)					
1963-1967	4893	11390	5713	4412	481
1967-1972	6640	6881	8640	6475	165
1972-1977	4831	9009	8512	4640	191
1977-1982	4497	6141	10783	5428	-931
Region 4: West North Central (MN,IA,MO,KS,NE,SD,ND)					
1963-1967	1474	3012	1786	1260	214
1967-1972	2337	2208	2072	1992	345
1972-1977	1669	2708	2454	1455	214
1977-1982	1596	2205	2902	1724	-128
Region 5: South Atlantic (DE,MD,VA,WV,NC,SC,GA,FL)					
1963-1967	3339	5468	3604	2548	791
1967-1972	5285	4439	4061	3911	1374
1972-1977	4034	4918	5427	3440	594
1977-1982	4214	5009	5688	3682	532

TABLE 7 (Continued)

Year	New Plants	Growing Plants	Declining Plants	Failures	Net Entry
Region 6: East South Central (KY,TN,AL,MS)					
1963-1967	1414	2420	1426	1006	408
1967-1972	2094	2088	1663	1509	585
1972-1977	1749	2259	2284	1302	447
1977-1982	1701	1902	2834	1556	145
Region 7: West South Central (OK,AR,LA,TX)					
1963-1967	1798	2731	1735	1320	478
1967-1972	2941	2390	1764	2110	831
1972-1977	2623	2936	2434	1725	898
1977-1982	3161	2953	2815	2225	936
Region 8: Mountain (MT,ID,WY,CO,UT,NV,NM,AZ)					
1963-1967	626	803	650	532	94
1967-1972	1078	806	557	716	362
1972-1977	1051	959	791	691	360
1977-1982	1117	922	1029	850	267
Region 9: Pacific (CA,WA,OR,HI,AK)					
1963-1967	3424	4933	3431	3115	309
1967-1972	5468	3640	3707	4441	1027
1972-1977	5147	5046	4077	3692	1455
1977-1982	5279	4487	5297	4486	793

TABLE 8

CHANGE IN MANUFACTURING EMPLOYMENT BY ORGANIZATION TYPE
(establishments with greater than 19 employees)
(thousands of employees)

Year	New Plants	Growing Plants	Declining Plants	Failures	Total
Single Unit Establishments:					
1963-1967	585.2	516.4	-280.9	-982.2	-161.6
1967-1972	736.8	313.6	-356.3	-1234.5	-540.4
1972-1977	723.3	389.4	-354.4	-689.1	69.2
1977-1982	876.5	329.6	-395.3	-844.5	-33.7
Multi Unit Establishments:					
1963-1967	2067.0	2132.4	-798.1	-1199.3	2202.0
1967-1972	2313.9	1351.2	-2117.1	-1759.7	-211.7
1972-1977	1546.3	1648.5	-1714.2	-1407.4	73.2
1977-1982	1659.7	1364.5	-2354.0	-1776.3	-1106.1

TABLE 9

NUMBER OF MANUFACTURING ESTABLISHMENTS BY ORGANIZATION TYPE
(greater than 19 employees)

Year	New Plants	Growing Plants	Declining Plants	Failures	Net Entry
Single Unit Establishments:					
1963-1967	11975	26104	18091	15591	-3616
1967-1972	14926	16119	18809	21242	-6316
1972-1977	14334	17106	17963	14785	-451
1977-1982	15607	15506	18977	14920	687
Multi Unit Establishments:					
1963-1967	12835	20426	11715	7252	5583
1967-1972	21020	15959	16691	12326	8694
1972-1977	14224	21436	20466	11768	2456
1977-1982	12894	17712	24231	14183	-1289

TABLE 10

CHANGE IN MANUFACTURING EMPLOYMENT BY ESTABLISHMENT SIZE CLASS
(thousands of employees)

Year	New Plants	Growing Plants	Declining Plants	Failures	Total
Size Class 1-19 Employees:					
1963-1967	331.2	70.4	-153.5	-359.1	-111.0
1967-1972	479.9	65.4	-166.0	-486.2	-106.9
1972-1977	523.1	68.4	-196.2	-461.8	-66.5
1977-1982	554.0	84.8	-222.1	-539.8	-123.1
Size Class 20-99 Employees:					
1963-1967	817.6	629.5	-249.2	-787.2	410.7
1967-1972	1230.3	512.8	-354.8	-1243.2	145.1
1972-1977	981.7	670.8	-437.2	-919.4	295.9
1977-1982	938.6	585.1	-541.8	-1002.4	-20.5
Size Class 100-249 Employees:					
1963-1967	616.0	494.7	-182.7	-493.1	434.9
1967-1972	969.5	388.5	-342.2	-833.4	182.4
1972-1977	627.8	496.5	-413.0	-541.3	170.0
1977-1982	682.2	381.8	-518.2	-706.8	-161.0
Size Class 250-499 Employees:					
1963-1967	423.2	377.0	-147.5	-310.2	342.5
1967-1972	443.8	275.7	-341.9	-382.2	-4.6
1972-1977	316.4	279.5	-363.4	-267.0	-34.5
1977-1982	414.4	236.2	-421.1	-383.1	-153.6
Size Class $\geq$ 500 Employees:					
1963-1967	795.3	1147.5	-500.0	-591.0	851.8
1967-1972	407.1	487.7	-1434.6	-535.4	-1075.2
1972-1977	343.8	591.1	-855.0	-368.8	-288.9
1977-1982	501.0	491.1	-1268.2	-528.5	-804.5

TABLE 11

NUMBER OF MANUFACTURING ESTABLISHMENTS BY SIZE CLASS

Year	New Plants	Growing Plants	Declining Plants	Failures	Net Entry
Size Class 1-19 Employees					
1963-1967	67526	70369	51422	66184	1342
1967-1972	85273	65371	42233	81713	3560
1972-1977	100682	68363	45557	78957	21725
1977-1982	99087	84806	38390	91406	7681
Size Class 20-99 Employees					
1963-1967	18893	31406	20428	18276	617
1967-1972	27744	21952	22385	26390	1354
1972-1977	23049	26408	24460	21213	1836
1977-1982	22263	24090	27728	22099	164
Size Class 100-249 Employees					
1963-1967	4045	8884	5483	3210	835
1967-1972	6431	6062	6859	5491	940
1972-1977	4198	7494	7942	3916	282
1977-1982	4532	5822	8872	4940	-408
Size Class 250-499 Employees					
1963-1967	1247	3506	2228	900	347
1967-1972	1323	2508	3320	1153	170
1972-1977	938	2733	3463	955	-17
1977-1982	1218	2072	3653	1409	-191
Size > 500 Employees					
1963-1967	625	2734	1667	457	168
1967-1972	448	1556	2936	534	-86
1972-1977	373	1907	2564	469	-96
1977-1982	488	1234	2955	655	-167

TABLE 12

CHANGE IN MANUFACTURING EMPLOYMENT BY ENTRY COHORT
(establishments with greater than 19 employees)
(thousands of employees)

Year	New Plants	Growing Plants	Declining Plants	Failures	Total
1963 Cohort*	15,045.3				
1963					
1963-1967		2648.7	-1079.0	-2181.5	-611.8
1967-1972		1229.6	-2105.3	-2179.4	-3055.2
1972-1977		1104.0	-1427.9	-1033.8	-1357.7
1977-1982		729.6	-1810.2	-1141.8	-2222.4
1967 Cohort					
1967	2652.1				
1967-1972		435.2	-368.2	-814.8	-747.8
1972-1977		272.2	-255.6	-273.9	-257.3
1977-1982		199.2	-254.2	-238.6	-293.6
1972 Cohort					
1972	3050.8				
1972-1977		661.6	-385.1	-798.8	-522.3
1977-1982		337.7	-380.1	-549.4	-591.8
1977 Cohort					
1977	2269.6				
1977-1982		426.9	-304.9	-691.0	-569.0
1982 Cohort					
1982	2536.2				

*The 1963 cohort is defined as all plants in existence in 1963. All other cohorts are defined as all new plants in that year.

TABLE 13

NUMBER OF MANUFACTURING ESTABLISHMENTS
(establishments with greater than 19 employees)

Year	New Plants	Growing Plants	Declining Plants	Failures	Total
1963 Cohort*					
1963	99,179				
1963-1967		46,530	29,806	22,843	76,336
1967-1972		24,453	28,801	23,082	53,254
1972-1977		19,775	22,250	11,229	42,025
1977-1982		12,652	20,100	9,273	32,752
1967 Cohort					
1967	24,810				
1967-1972		7,625	6,699	10,486	14,324
1972-1977		5,582	5,136	3,606	10,718
1977-1982		3,515	4,654	2,549	8,169
1972 Cohort					
1972	35,946				
1972-1977		13,185	11,043	11,718	24,228
1977-1982		7,766	9,171	7,291	16,937
1977 Cohort					
1977	28,558				
1977-1982		9,285	9,283	9,990	18,568
1982 Cohort					
1982	28,501				

*The 1963 cohort is defined as all plants in existence in 1963. All other cohorts are defined as all new plants in that year.

APPENDIX C

Bureau of Labor Statistics Data

News

United States Department of Labor

Bureau of Labor Statistics Washington, D.C. 20212

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REEMPLOYMENT INCREASES AMONG DISPLACED WORKERS

The Bureau of Labor Statistics of the U. S. Department of Labor issued today the results of its second special survey of workers whose jobs were abolished or plants shut down. Among workers who lost jobs over the 5-year period between January 1981 and January 1986, 67 percent were reemployed and 18 percent were unemployed when surveyed in January 1986. This was a significant improvement compared with January 1984, when only 60 percent of the displaced were found to be reemployed and 25 percent were still unemployed.

The January 1986 survey found 5.1 million workers who had been at their jobs for at least 3 years before they were displaced. Of these, 3.4 million were reemployed, though many at lower pay; 900,000 were unemployed; and nearly 800,000 had left the labor force. Among those who returned to full-time work, 56 percent were earning as much or more than they had on their former jobs. The remainder had taken jobs at lower pay. Moreover, about 330,000 who had lost full-time jobs were working part time when surveyed.

The survey of displaced workers was sponsored by the Employment and Training Administration of the Labor Department and was conducted as a supplement to the January 1986 Current Population Survey. The purpose of the special survey was to identify workers who had lost jobs because of the closing or moving of a plant or company, slack work, or the abolishment of their positions or entire shifts. (For a description of the supplement, see the explanatory note on page 4.)

Altogether, 13.1 million workers 20 years and over were identified in this survey as having lost jobs during the January 1981-86 period because of one of the factors listed above. However, a large number of these workers had been at their jobs only a short period when the loss occurred, with 6.4 million reporting 1 year or less of tenure on the lost job. In order to focus on workers who had developed a relatively firm attachment to the jobs they lost, only those with a minimum of 3 years of tenure are included in this analysis, and the data presented in tables 1 to 8 relate only to these 5.1 million workers.

Employment status in January 1986

The proportion of displaced workers who had become reemployed by January 1986 was 67 percent, 7 percentage points greater than the level

observed in January 1984 when a similar study was conducted. The rate of reemployment varied by age and sex. Among persons 20 to 54 years, over 70 percent had taken another job following displacement. On the other hand, among those who were close to retirement age, many had left the labor force. About one-third of those between the ages of 55 and 64 and over two-thirds of those over 65 years were no longer in the labor force. (See table 1.) The percentages of older workers leaving the labor force were notably higher than the levels found in 1984.

Close to 71 percent of the men who had been displaced from jobs were reemployed in January 1986, compared with about 60 percent of the women. Women were more likely than men to leave the labor force after a job loss. Almost 1 out of every 4 of the women who had been displaced from a job was no longer in the labor force in January 1986, compared with 1 of 10 men.

About 68 percent of white displaced workers were reemployed in January 1986, compared with about 57 percent of both blacks and Hispanics. Nevertheless, the reemployment rate among blacks was substantially higher than the 42-percent level observed in January 1984.

Jobs held after displacement

About 3 out of 10 displaced workers had been in two jobs or more following the plant closing or job loss. Even among those who were unemployed or out of the labor force when surveyed, between one-quarter and one-third had worked at least temporarily on another job after the dismissal. (See table 2.)

Reasons for displacement

About 55 percent of the displaced workers had lost their jobs because of plant closings or business failures. About one-third cited "slack work" as the reason. The remainder, 14 percent, reported simply that their position or shift was abolished. (See table 3.) The proportion who had been displaced by plant closings was about 6 percentage points higher than in 1984, while the proportion reporting jobs lost to slack work was lower by about the same magnitude.

Years worked on lost job

About one-third of the displaced workers had worked for 10 years or more on the jobs they had lost. Median tenure on the jobs lost was relatively high--6.6 years. (See table 4.) In part, this reflects the fact that workers with the highest seniority are the last dismissed when the plant finally shuts down.

Industry and occupation of lost job

As was found in January 1984, about one-half of the workers identified as displaced had lost manufacturing jobs. About 360,000 had worked in nonelectrical machinery and 235,000 in primary metal industries. About 175,000 lost jobs in the mining industry (which includes petroleum and natural gas extraction). There also was a large number who had lost service-providing jobs, including 400,000 who had worked in retail trade establishments. (See table 5.)

In general, nearly two-thirds of the displaced in each industry classification were reemployed as of January 1986. Notable exceptions occurred among those who had been displaced from jobs in the electrical machinery industry and the apparel and other finished textile products industry. Among these workers, many of whom were women, only a little over 50 percent were reemployed, and a large proportion had left the labor force.

Machine operators, fabricators, and laborers were the workers most heavily affected by job displacements over the 1981-86 period. About 1.9 million of the displaced were from this occupational category. In general, workers with higher skill levels were more likely to have found new jobs. Almost 78 percent of those reporting the loss of professional jobs had become reemployed, and only about 9 percent were still unemployed. In contrast, almost 1 in 4 of those formerly in service occupations or who had worked as handlers, equipment cleaners, helpers, and laborers was still unemployed in January 1986. (See table 6.)

Geographic distribution

As in January 1984, the highest number of displaced workers was found in the East North Central area--1.1 million. However, there was an improvement in this area's rate of reemployment relative to the situation in 1984. About 65 percent of the area's displaced were in new jobs, a proportion roughly equal to the national reemployment level. (See table 7.) In 1984, barely one-half of the displaced in this area were reemployed.

Earnings on new job

Of the 3.2 million displaced workers who were again employed in January 1986, about 2.7 million had previously held full-time wage and salary jobs and were again employed on a full-time basis. For all but about 200,000 of these persons, it was possible to compare earnings on the current and formerly held jobs.

About 1.4 million (56 percent) of these workers reported nominal weekly earnings equal to or higher than on the jobs they had lost. Over 700,000 (29 percent) had improved their earnings by over 20 percent relative to their previous jobs. On the opposite end, 730,000 workers (30 percent) were employed at jobs which entailed pay cuts of 20 percent or more. Some of the largest pay cuts were taken by workers formerly employed in primary metal industries. (See table 8.)

More detailed analysis of the data from this supplement, including topics not covered in this release, will be forthcoming.

EXPLANATORY NOTE

The data presented in this report were obtained through a special survey conducted in January 1986 as a supplement to the Current Population Survey, the monthly survey which provides the basic data on employment and unemployment for the nation. The purpose of this supplementary survey was to obtain information on the number and characteristics of workers 20 years of age and over who had been displaced from their jobs over the previous 5 years, that is, over the period from January 1981 to January 1986.

In order to identify workers who had been displaced from jobs, the survey respondents were first asked whether the household member had lost a job during the period in question "because of a plant closing, an employer going out of business, a layoff from which (he/she) was not recalled, or other similar reasons." If the answer to this question was "yes," the respondent was asked to identify, among the following reasons, the one which best fit the reason for the job loss:

Plant or company closed down or moved
Plant or company was operating but job was lost because of:
  Slack work
  Position or shift was abolished
  Seasonal job completed
Self-employment business failed
Other reasons

After ascertaining the reason for the job loss, a series of questions were asked about the nature of the lost job--including the year it was lost, the years of tenure, the earnings, and the availability of health insurance. Other questions were asked to determine what transpired after the job loss, such as: How long did the person go without work, did he or she receive unemployment benefits, were the benefits exhausted, how many jobs had the person held since the displacement, and, finally, did the persons move after the job loss. If the person was reemployed at the time of the interview, follow-up questions were asked to determine the current earnings. And, regardless of the employment status at the time of the interview, a question was asked of all those who had been reported as having lost a job to determine whether they currently had any health insurance coverage.

As noted earlier, in tabulating the data from this survey the only workers considered to have been displaced from their jobs were those who reported job losses arising from: (1) The closing down or moving of a plant or company, (2) slack work, or (3) the abolishment of their position or shift. This means that workers whose job losses stemmed from the completion of seasonal work, the failure of self-employment businesses, or other miscellaneous reasons were not included among those deemed to have been displaced. A further condition for inclusion among the displaced workers for the purpose of this study was tenure of at least 3 years on the lost job.

Table 1. Employment status of displaced workers by age, sex, race, and Hispanic origin, January 1986

(Percent)

Age, sex, race, and Hispanic origin	Total[1] (thousands)	Total	Employed	Unemployed	Not in the labor force
TOTAL					
Total, 20 years and over	5,130	100.0	66.9	17.8	15.3
20 to 24 years	222	100.0	69.1	23.2	7.7
25 to 54 years	3,950	100.0	72.5	18.1	9.4
55 to 64 years	789	100.0	47.4	17.6	35.0
65 years and over	169	100.0	23.4	4.3	72.4
Men					
Total, 20 years and over	3,321	100.0	70.9	18.6	10.5
20 to 24 years	146	100.0	74.1	20.4	5.5
25 to 54 years	2,605	100.0	76.1	19.6	4.4
55 to 64 years	482	100.0	50.2	15.3	34.5
65 years and over	87	100.0	24.5	6.2	69.3
Women					
Total, 20 years and over	1,810	100.0	59.6	16.2	24.1
20 to 24 years	76	100.0	59.6	28.7	11.8
25 to 54 years	1,345	100.0	65.7	15.2	19.0
55 to 64 years	307	100.0	43.1	21.2	35.8
65 years and over	82	100.0	22.2	2.2	75.6
WHITE					
Total, 20 years and over	4,452	100.0	68.2	16.2	15.6
Men	2,936	100.0	72.4	16.8	10.8
Women	1,516	100.0	59.9	15.2	24.9
BLACK					
Total, 20 years and over	581	100.0	57.7	29.2	13.1
Men	312	100.0	57.6	36.0	6.3
Women	268	100.0	57.7	21.3	21.0
HISPANIC ORIGIN					
Total, 20 years and over	311	100.0	56.6	27.2	16.1
Men	208	100.0	63.7	27.9	8.4
Women	103	100.0	42.3	25.9	31.8

[1] Data refer to persons with tenure of 3 years or more who lost or left a job between January 1981 and January 1986 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.

NOTE: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups.

Table 2. Displaced workers by sex, race, Hispanic origin, employment status in January 1986, and number of jobs held since their displacement

(Percent)

Sex, race, Hispanic origin, and employment status in January 1986	Total[1] (thousands)	Total	2 jobs or more	One job	No jobs
Total, 20 years and over	5,130	100.0	29.0	48.5	22.5
Men	3,321	100.0	30.5	50.6	18.9
Women	1,810	100.0	26.4	44.5	29.1
White	4,452	100.0	29.8	48.6	21.5
Black	581	100.0	23.6	46.7	29.7
Hispanic origin	311	100.0	26.6	43.5	29.9
Employed in January 1986	3,432	100.0	36.7	63.3	-
Men	2,353	100.0	36.7	63.3	-
Women	1,079	100.0	36.7	63.3	-
White	3,035	100.0	37.4	62.6	-
Black	335	100.0	29.4	70.6	-
Hispanic origin	176	100.0	38.4	61.6	-
Unemployed in January 1986	912	100.0	16.5	18.6	64.8
Not in labor force in January 1986	788	100.0	10.2	18.3	71.5

[1] Data refer to persons with tenure of 3 years or more who lost or left a job between January 1981 and January 1986 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.

NOTE: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups.

Table 3. Displaced workers by age, sex, race, Hispanic origin, and reason for job loss

(Percent)

Age, sex, race, and Hispanic origin	Total[1] (thousands)	Total	Plant or company closed down or moved	Slack work	Position or shift abolished
TOTAL					
Total, 20 years and over	5,130	100.0	54.7	31.2	14.0
20 to 24 years	222	100.0	56.8	30.4	12.8
25 to 54 years	3,950	100.0	52.2	33.9	13.9
55 to 64 years	789	100.0	65.0	20.5	14.5
65 years and over	169	100.0	64.0	21.0	14.9
Men					
Total, 20 years and over	3,321	100.0	53.7	34.5	11.8
20 to 24 years	146	100.0	58.3	32.2	9.5
25 to 54 years	2,605	100.0	51.3	37.1	11.5
55 to 64 years	482	100.0	64.4	22.7	12.8
65 years and over	87	100.0	57.0	24.2	18.9
Women					
Total, 20 years and over	1,810	100.0	56.7	25.3	18.0
20 to 24 years	76	100.0	54.0	27.0	19.1
25 to 54 years	1,345	100.0	53.9	27.5	18.6
55 to 64 years	307	100.0	65.9	17.0	17.1
65 years and over	82	100.0	71.8	17.7	10.8
WHITE					
Total, 20 years and over	4,452	100.0	54.7	30.9	14.4
Men	2,936	100.0	53.3	34.6	12.1
Women	1,516	100.0	57.3	23.9	18.7
BLACK					
Total, 20 years and over	581	100.0	53.6	33.9	12.5
Men	312	100.0	54.9	34.8	10.3
Women	268	100.0	52.1	32.7	15.2
HISPANIC ORIGIN					
Total, 20 years and over	311	100.0	57.1	31.1	11.8
Men	208	100.0	59.1	30.8	10.1
Women	103	100.0	53.2	31.5	15.3

[1] Data refer to persons with tenure of 3 years or more who lost or left a job between January 1981 and January 1986 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.

NOTE: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups.

Table 4. Displaced workers by age, sex, race, Hispanic origin, and tenure when job ended

(Percent)

Age, sex, race, and Hispanic origin	Total[1] (thousands)	Total	3 to 4 years	5 to 9 years	10 to 14 years	15 to 19 years	20 years or more	Median years on lost job
TOTAL								
Total, 20 years and over	5,130	100.0	32.8	34.2	15.7	7.8	9.5	6.6
25 years and over	4,908	100.0	31.0	34.5	16.4	8.2	9.9	6.9
25 to 54 years	3,950	100.0	35.0	37.2	16.1	7.0	4.7	6.2
55 to 64 years	789	100.0	14.6	22.6	17.9	12.8	32.0	12.9
65 years and over	169	100.0	15.0	25.6	15.6	13.6	30.2	12.8
Men								
Total, 20 years and over	3,321	100.0	31.2	33.8	15.5	8.9	10.9	6.9
25 years and over	3,175	100.0	29.4	33.7	16.2	9.3	11.4	7.3
25 to 54 years	2,605	100.0	32.7	36.6	16.8	8.6	5.4	6.6
55 to 64 years	482	100.0	14.9	18.9	14.6	12.8	38.8	15.4
65 years and over	87	100.0	12.9	30.4	9.8	10.8	36.2	13.2
Women								
Total, 20 years and over	1,810	100.0	35.7	35.4	15.9	6.0	7.0	6.0
25 years and over	1,733	100.0	34.0	35.8	16.6	6.2	7.4	6.2
25 to 54 years	1,345	100.0	39.5	38.4	14.8	4.1	3.2	5.7
55 to 64 years	307	100.0	14.2	28.4	23.2	12.9	21.2	10.7
65 years and over	82	100.0	17.3	20.5	21.7	16.6	23.9	12.7
WHITE								
Total, 20 years and over	4,452	100.0	32.6	33.6	15.6	8.1	10.1	6.7
Men	2,936	100.0	31.0	32.9	15.7	9.2	11.1	7.0
Women	1,516	100.0	35.5	34.9	15.5	6.0	8.1	6.0
BLACK								
Total, 20 years and over	581	100.0	35.1	36.8	16.0	6.2	5.9	6.2
Men	312	100.0	31.9	38.4	13.5	6.7	9.5	6.6
Women	268	100.0	38.7	34.9	18.9	5.7	1.7	5.7
HISPANIC ORIGIN								
Total, 20 years and over	311	100.0	33.6	42.3	12.9	6.3	4.9	6.4
Men	208	100.0	27.7	43.9	14.5	8.3	5.6	7.3
Women	103	100.0	45.5	39.1	9.7	2.3	3.5	5.3

Data refer to persons with tenure of 3 years or more who lost or left a job between January 1981 and January 1986 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.

NOTE: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups.

Table 5. Employment status of displaced workers by industry and class of worker of lost job, January 1986

(Percent)

Industry and class of worker of lost job	Total[1] (thousands)	Total	Employed	Unemployed	Not in the labor force
Total, 20 years and over[2]	5,130	100.0	66.9	17.8	15.3
Nonagricultural private wage and salary workers	4,772	100.0	67.2	17.8	15.2
Mining	175	100.0	67.4	17.4	15.2
Construction	316	100.0	74.8	16.6	8.6
Manufacturing	2,550	100.0	65.9	18.2	15.9
Durable goods	1,691	100.0	66.7	18.9	14.4
Lumber and wood products	104	100.0	67.0	23.2	9.8
Furniture and fixtures	63	100.0	[3]	[3]	[3]
Stone, clay, and glass products	87	100.0	64.7	17.3	17.9
Primary metal industries	235	100.0	62.0	15.0	23.0
Fabricated metal products	187	100.0	64.1	24.8	11.0
Machinery, except electrical	361	100.0	71.9	18.8	9.5
Electrical machinery	255	100.0	54.9	23.2	21.9
Transportation equipment	260	100.0	74.3	16.7	8.9
Automobiles	148	100.0	70.2	21.1	8.7
Other transportation equipment	112	100.0	79.8	11.0	9.2
Professional and photographic equipment	73	100.0	[3]	[3]	[3]
Other durable goods industries	66	100.0	[3]	[3]	[3]
Nondurable goods	859	100.0	64.3	16.8	18.9
Food and kindred products	178	100.0	57.1	19.5	23.4
Textile mill products	123	100.0	71.2	9.9	19.0
Apparel and other finished textile products	171	100.0	51.9	18.0	30.1
Paper and allied products	39	100.0	[3]	[3]	[3]
Printing and publishing	94	100.0	69.8	14.8	15.4
Chemical and allied products	98	100.0	75.2	11.9	12.8
Rubber and miscellaneous plastics products	67	100.0	[3]	[3]	[3]
Other nondurable goods industries	88	100.0	62.8	25.9	11.3
Transportation and public utilities	386	100.0	66.9	20.0	13.1
Transportation	303	100.0	66.1	20.6	13.3
Communication and other public utilities	83	100.0	69.9	17.7	12.4
Wholesale and retail trade	689	100.0	66.3	12.4	21.3
Wholesale trade	294	100.0	74.4	12.5	13.1
Retail trade	395	100.0	60.3	12.4	27.4
Finance, insurance, and real estate	107	100.0	73.5	12.5	14.0
Services	540	100.0	68.4	21.4	10.2
Professional services	198	100.0	66.8	19.1	14.1
Other service industries	342	100.0	69.3	22.8	8.0
Agricultural wage and salary workers	141	100.0	66.0	20.9	13.1
Government workers	172	100.0	63.0	18.9	18.0
Self-employed and unpaid family workers	33	100.0	[3]	[3]	[3]

Data refer to persons with tenure of 3 years or more who lost or left a job between January 1981 and January 1986 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.

[2] Total includes a small number who did not report industry or class of worker.

[3] Data not shown where base is less than 75,000.

Table 6. Employment status of displaced workers by occupation of lost job, January 1986

(Percent)

Occupation of lost job	Total[1] (thousands)	Total	Employed	Unemployed	Not in the labor force
Total, 20 years and over[2]	5,130	100.0	66.9	17.8	15.3
Managerial and professional specialty	782	100.0	74.1	14.1	11.7
Executive, administrative, and managerial	487	100.0	72.0	16.9	11.1
Professional specialty	295	100.0	77.7	9.4	12.8
Technical, sales, and administrative support	1,125	100.0	68.0	12.8	19.2
Technicians and related support	174	100.0	76.5	11.7	11.8
Sales occupations	447	100.0	65.1	11.9	23.0
Administrative support, including clerical	504	100.0	67.6	13.9	18.5
Service occupations	254	100.0	53.5	22.6	23.9
Protective service	32	100.0	[3]	[3]	[3]
Service, except private household and protective	222	100.0	52.6	24.1	23.2
Precision production, craft and repair	1,018	100.0	68.5	18.2	13.3
Mechanics and repairers	268	100.0	73.7	18.5	7.9
Construction trades	255	100.0	69.2	22.4	8.4
Other precision production, craft, and repair	495	100.0	65.4	15.9	18.8
Operators, fabricators, and laborers	1,870	100.0	64.0	21.4	14.6
Machine operators, assemblers, and inspectors	1,197	100.0	64.1	19.7	16.3
Transportation and material moving occupations	328	100.0	62.6	25.7	11.7
Handlers, equipment cleaners, helpers, and laborers	345	100.0	65.1	23.4	11.4
Construction laborers	51	100.0	[3]	[3]	[3]
Other handlers, equipment cleaners, helpers, and laborers	293	100.0	64.6	23.0	12.4
Farming, forestry, and fishing	80	100.0	72.1	19.1	8.9

[1] Data refer to persons with tenure of 3 years or more who lost or left a job between January 1981 and January 1986 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.

[2] Total includes a small number who did not report occupation.

[3] Data not shown where base is less than 75,000.

Table 7. Employment status and area of residence in January 1986 of displaced workers by selected characteristics

(Numbers in thousands)

Characteristic	Total[1]	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
WORKERS WHO LOST JOBS										
Total	5,130	226	733	1,149	384	744	397	610	240	648
Men	3,321	129	453	774	253	464	235	401	169	443
Women	1,810	97	280	375	131	280	162	209	71	205
REASON FOR JOB LOSS										
Plant or company closed down or moved	2,809	143	427	580	206	444	223	311	123	351
Slack work	1,603	48	221	402	122	197	132	210	76	194
Position or shift abolished	719	35	84	166	55	103	42	89	41	103
INDUSTRY OF LOST JOB										
Construction	359	8	27	84	25	61	34	43	25	53
Manufacturing	2,592	141	428	646	179	364	197	281	66	289
Durable goods	1,707	82	272	498	120	177	101	185	41	232
Nondurable goods	885	59	157	148	59	187	96	96	25	57
Transportation and public utilities	417	19	62	83	29	55	51	51	20	46
Wholesale and retail trade	706	22	73	164	69	96	49	80	39	114
Finance and service industries	680	34	103	119	48	102	35	81	51	107
Public administration	55	2	10	12	8	3	3	3	7	8
Other industries[2]	319	1	29	41	25	62	27	71	32	31
EMPLOYMENT STATUS IN JANUARY 1986										
Employed	3,432	168	442	749	263	535	248	403	174	450
Unemployed	912	22	162	233	62	104	84	103	34	108
Percent less than 5 weeks	26.4	[3]	25.6	24.9	[3]	27.1	25.4	18.3	[3]	42.1
Percent 27 weeks or more	23.6	[3]	25.8	31.0	[3]	23.2	24.2	16.4	[3]	17.9
Not in the labor force	786	35	129	167	59	105	65	103	32	90

[1] Data refer to persons with tenure of 3 years or more who lost or left a job between January 1981 and January 1986 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.

[2] Includes a small number who did not report industry.

[3] Data not shown where base is less than 75,000.

NOTE: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont compose the New England Division; New Jersey, New York, and Pennsylvania compose the Middle Atlantic Division; Illinois, Indiana, Michigan, Ohio, and Wisconsin compose the East North Central Division; Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota compose the West North Central Division; Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia compose the South Atlantic Division; Alabama, Kentucky, Mississippi, and Tennessee compose the East South Central Division; Arkansas, Louisiana, Oklahoma, and Texas compose the West South Central Division; Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming compose the Mountain Division; Alaska, California, Hawaii, Oregon, and Washington compose the Pacific Division.

Table 8. Displaced workers who lost full-time wage and salary jobs and were reemployed in January 1986 by industry of lost job and characteristics of new job

(In thousands)

Industry of lost job	Total reemployed January 1986	Part-time job	Full-time wage and salary job					Self employment or other full-time job
			Total[1]	Earnings relative to those of lost job				
				20 percent or more below	Below, but within 20 percent	Equal or above, but within 20 percent	20 percent or more above	
Total who lost full-time wage and salary jobs[2]	3,236	333	2,655	730	342	651	712	248
Construction	250	15	198	53	24	51	63	37
Manufacturing	1,657	162	1,419	432	166	333	356	85
Durable goods	1,105	106	931	300	102	218	243	68
Primary metal industries	146	13	122	54	10	24	20	11
Steel[3]	118	13	97	51	8	14	16	7
Other primary metals	28	-	24	4	2	10	4	3
Fabricated metal products	116	16	85	29	8	16	21	15
Machinery, except electrical	258	16	232	76	33	58	53	8
Electrical machinery	136	11	119	46	16	21	31	6
Transportation equipment	190	19	165	38	7	53	54	6
Automobiles	102	12	87	11	-	30	38	3
Other transportation equipment	88	6	76	27	7	24	15	3
Nondurable goods	552	56	478	131	64	117	113	17
Transportation and public utilities	257	15	217	68	28	59	37	25
Wholesale and retail trade	415	43	331	82	40	78	116	40
Finance and service industries	426	68	309	59	41	87	100	49
Public administration	34	3	26	4	4	7	9	3
Other industries[4]	197	26	162	53	19	35	30	7

[1] Includes 220,000 persons who did not report earnings on lost job.

[2] Data refer to persons with tenure of 3 years or more who lost or left a full-time wage and salary job between January 1981 and January 1986 because of plant closings or moves, slack work, or their positions or shifts were abolished.

[3] Includes blast furnaces, steelworks, rolling and finishing mills, and iron and steel furnaces.

[4] Includes a small number who did not report industry.

Analysis of Mass Layoff Data

U.S. Department of Labor
Bureau of Labor Statistics
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Contents

Contents--Continued

ANALYSIS OF MASS LAYOFF DATA

Data from the Bureau of Labor Statistics' mass layoff reporting system, which were collected from the initial seven States operating the program and covering the last half of 1985, show that 328 layoff events in 303 establishments resulted in the separation of 87,500 workers, 65,400 of whom filed claims for unemployment compensation. These data and the associated analysis reflect the experiences in Alabama, Arizona, Arkansas, Massachusetts, Texas, Washington, and Wisconsin. These States were selected for initial mass layoff program development based on operational considerations rather than socio-economic or demographic factors. Accordingly, the relationships and analysis based on the data submitted by the seven States should not be considered to be representative of the Nation as a whole.

In a one-time study, firms included in the Bureau's mass layoff reporting program in the seven States during the last half of 1985--those firms against which at least 50 initial claims for unemployment compensation were filed by workers in a continuous 3-week period, with the layoff lasting at least 30 days--were recontacted by the employment security agency staff in each State and asked to provide additional information on activities which led to the layoff. A total of 248 establishments responded to the special survey, accounting for 271 layoff events and resulting in the separation of 67,800 workers. The analysis that follows relates to information obtained through the special study.

Industry analysis

About 2 out of 3 layoff events in the seven States occurred without an advance general notice to workers. The incidence of advance general notice was much higher in manufacturing industries than nonmanufacturing--43 percent of layoff events versus 19 percent. However, the average days of notice in manufacturing establishments were somewhat less than for nonmanufacturing industries--45 days compared to 54. Specific notice of more than 1 day was provided in 57 percent of reported manufacturing layoffs and 40 percent of nonmanufacturing layoffs. Average days of specific notice of more than 1 day were the same for each, however--18 days. Within manufacturing, nondurable goods firms reported a higher incidence of general and specific notice than those in durable goods, whereas the latter provided longer periods of notice. (See table 1.)

Union status

The probability of providing advance general notice was about equal among unionized and nonunionized establishments in six States. (Establishments in Alabama were not asked the union question.) However, when employees were represented by a union, a longer period of advance general notice was provided by employers than in nonunion situations--an average of 51 versus 42 days. In contrast, employers in nonunion situations reported a period of specific notice almost twice as long as those in union situations--24 versus 13 days. These relationships were

especially evident in the durable goods industries. (See table 2.) Unionized establishments accounted for about half of all respondents to this question.

Corporate status

When the establishment was part of a larger corporate entity, there was a higher probability that advance general notice was provided--43 versus 25 percent--although the length of notice was about the same. These establishments also had a higher likelihood of providing specific notice of more than 1 day--58 percent versus 44 percent--with the length of notice almost double--21 days compared to 12 days. (See table 3.)

Reemployment services provided to dislocated workers

About one-third of the establishments provided specific reemployment services to employees. Among establishments with formal labor-management committees, the most frequent services provided were surveying the characteristics and skills of the workers as part of developing reemployment strategies, arranging for pre-layoff registration by the State employment service, and arranging for training in job search skills. (See table 4.)

Among establishments providing out-placement services, the most frequently cited service was canvassing other employers for job openings, followed by worker skill surveys and pre-layoff employment service registration.

Characteristics of the respondents

Seven out of 10 of the 67,800 job losers were from manufacturing industry establishments, with durable goods being the most dominant. In the nonmanufacturing industries, the greatest concentration of layoffs was in construction. (See table 5.)

Initial claims for unemployment compensation were filed by 49,327 of the separated workers (73 percent). More than 4 out of 5 of the separated manufacturing workers filed for unemployment benefits, compared with about half of nonmanufacturing workers.

Slack work--a non-seasonal lack of demand for the employer's product or service--was by far the most common reason for layoff cited by employers, accounting for 42 percent of all layoff events. The next most cited reason was seasonal work (18 percent). Nearly 4 out of 5 workers separated in layoffs caused by slack work filed for unemployment compensation benefits. (See table 6.)

Additional data

Information on pre-closing layoff notification of outside parties by the affected establishments in the seven surveyed States is contained in table 7. Individual State data on layoff events and related data and on advance general and specific notice for each surveyed State are provided in tables 8 through 14.

EXPLANATORY NOTE

The data in these tables were obtained from the Bureau's mass layoff reporting program and its special study of layoff actions and cover the period July-December 1985. The mass layoff program--technically termed the Permanent Mass Layoff and Plant Closing (PMLPC) program--is currently undergoing nationwide implementation. The program provides detailed information on establishments and workers affected by plant closings and layoffs by State.

In order to be included in the mass layoff program, an establishment has to report at least 50 initial claims for unemployment compensation filed against it in a 3-week period. If the firm meets the requirement, it is contacted by State employment security agency staff in each State and asked to provide the following information: the total number of separated workers, the date and reason(s) for the layoff, whether the layoff lasted 30 days, and whether the establishment was closing. If the employer indicates that the duration of the layoff was at least 30 days, then program criteria are met. Once the firm is identified, the workers associated with the layoff are tracked through the State's unemployment insurance system.

In the mass layoff program, establishment refers to a firm at a single physical location, except in situations where a company engaged in a single economic activity with units in a number of locations has layoffs which in total meet or exceed 50, or where the geographic identification of the unit is not possible. A layoff event is a layoff action of 50 initial claimants or more against an establishment in a 3-week period, with the layoff expected to last 30 days or more (according to the employer).

The special survey

The special survey of mass layoff establishments was conducted in August-September 1986 at the request of Secretary of Labor Brock's Task Force on Economic Adjustment and Worker Dislocation. The primary purpose of this survey was to obtain information on the extent to which workers (and others) were provided with general and specific notice of the layoff. In addition, questions were asked on the reemployment services provided to workers, on union status, and on the corporate status of the establishment. All responses were obtained from employers who met the mass layoff criteria during the second half of 1985.

In this survey, advance general notice was defined as the notification of workers (and, possibly, others in the community) that a layoff was expected to occur, without specification of the exact date of the layoff. Specific notice was defined as the notification of individual employees that they will be laid off on a specific date.

During this period, seven States were reporting usable data in the mass layoff program. Alabama, Arizona, Arkansas, Massachusetts, Texas, and Washington reported data for the full 6 months. A temporary design problem in Washington resulted in an undercount of layoff events in that State, but all reported layoffs involved at least 50 initial claimants. Wisconsin reported data for the October-December period only. In Alabama, employers were not asked the union status questions.

A total of 303 establishments reporting 328 layoff events were recontacted for the special survey of layoff actions. Usable responses were obtained from 248 establishments reporting 271 layoff events. Of the 55 establishments not included in the survey results, 48 were nonrespondents. Reasons for nonresponse included the firm being out of business, inability to reconstruct information, and unwillingness to participate. Seven units of local government that reported layoffs of school support staff were removed from the survey data base so that the excessive advance notice associated with the school year would not affect the survey findings. Data are not shown in the tables if less than three firms were reported.

Table 1. Mass-reported layoffs by selected industries and type and length of separation notice, July-December 1985

Industry	Number of establishments	Layoff events1/				
		Total	With advance general notice		With specific notice of more than 1 day	
			Number	Average days of notice	Number	Average days of notice
Total, all industries.....	248	271	97	46	142	18
Agriculture.....	8	8	-	-	3	40
Nonagriculture.....	240	263	97	46	139	18
Manufacturing.....	181	200	85	45	114	18
Durable goods.....	126	143	59	54	76	19
Nondurable goods.....	55	57	26	25	38	15
Nonmanufacturing.....	59	63	12	54	25	18
Wholesale and retail trade	8	8	3	84	3	18
Services.....	12	13	3	23	6	19
Other nonmanufacturing....	39	42	6	54	16	18

1/ Data on layoffs were reported by employees in Alabama, Arizona, Arkansas, Massachusetts, Texas, Washington, and Wisconsin. Data for Wisconsin are for October-December 1985.

Table 2. Mass layoffs by selected industries, union status of employees, and type and length of separation notice, July-December 1985

Industry and union status of employees	Number of establishments	Layoff events1/				
		Total	With advance general notice		With specific notice of more than 1 day	
			Number	Average days of notice	Number	Average days of notice
Total, all industries	196	217	82	46	112	18
Union2/	96	106	40	51	56	13
Nonunion	100	111	42	42	56	24
Agriculture	8	8	-	-	3	40
Union2/	-	-	-	-	-	-
Nonunion	8	8	-	-	3	40
Nonagriculture	188	209	82	46	109	18
Union2/	96	106	40	51	56	13
Nonunion	92	103	42	43	53	23
Manufacturing	139	157	72	46	91	17
Union2/	73	82	36	50	49	13
Nonunion	66	75	36	43	42	22
Durable goods	99	115	50	57	65	19
Union2/	52	60	23	63	36	14
Nonunion	47	55	27	53	29	26
Nondurable goods	40	42	22	21	26	12
Union2/	21	22	13	27	13	11
Nonunion	19	20	9	13	13	12
Nonmanufacturing	49	52	10	50	18	21
Union2/	23	24	4	59	7	10
Nonunion	26	28	6	43	11	27

1/ Data on union status of employers involved in layoffs were reported by employers in Arizona, Arkansas, Massachusetts, Texas, Washington, and Wisconsin. Data for Wisconsin are for October-December 1985. In Alabama, employers were not asked the union status question.

2/ Data refer to members of a labor union or an employee association similar to a union, or workers whose jobs are covered by a union or an employee contract.

NOTE: Dash represents zero or rounds to zero.

Table 3. Mass layoffs by selected industries, corporate status of reporting establishments and type and length of separation notice, July-December 1985

Industry and corporate status of establishment	Number of establishments	Layoff events1/				
		Total	With advance general notice		With specific notice of more than 1 day	
			Number	Average days of notice	Number	Average days of notice
Total, all industries	248	271	97	46	142	18
Part of larger corporate entity	149	165	71	47	95	21
Not part of larger corporate entity	99	106	26	45	47	12
Agriculture	8	8	-	-	3	40
Part of larger corporate entity	3	3	-	-	(2)	(2)
Not part of larger corporate entity	5	5	-	-	(2)	(2)
Nonagriculture	240	263	97	46	139	18
Part of larger corporate entity	146	162	71	47	93	21
Not part of larger corporate entity	94	101	26	45	46	12
Manufacturing	181	200	85	46	114	18
Part of larger corporate entity	118	132	61	48	78	21
Not part of larger corporate entity	63	68	24	39	36	11
Durable goods	126	143	59	54	76	19
Part of larger corporate entity	86	99	44	56	55	22
Not part of larger corporate entity	40	44	15	50	21	10
Nondurable goods	55	57	26	25	38	15
Part of larger corporate entity	32	33	17	27	23	17
Not part of larger corporate entity	23	24	9	20	15	13
Nonmanufacturing	59	63	12	54	25	18
Part of larger corporate entity	28	30	10	41	15	22
Not part of larger corporate entity	31	33	2	16	10	12

1/ Data on layoffs were reported by employers in Alabama, Arizona, Arkansas, Massachusetts, Texas, Washington, and Wisconsin. Data for Wisconsin are for October-December 1985.

2/ Data do not meet BLS or State Agency disclosure standards.

NOTE: Dash represents zero or rounds to zero.

Table 4. Mass layoffs by type of reemployment services provided by reporting establishments and selected industries, July-December 1985

Type of reemployment services	Number of establishments	Industry				
		Nonagriculture	Manufacturing			Nonmanufacturing
			Total	Durable goods	Nondurable goods	
Total, all industries1/	248	240	181	126	55	59
With labor-management committees	19	19	15	12	3	4
Surveying skills of employees	17	17	14	11	3	3
Arranging for employment service registration	15	15	13	10	3	2
Arranging for training in job search skills	14	14	13	10	3	1
Canvassing other employers for job openings	10	10	8	5	3	2
Inviting other firms to conduct interviews	7	7	6	4	2	1
Providing other services	3	3	2	2	-	1
With outplacement services	58	58	46	36	10	12
Surveying skills of employees	28	28	23	21	2	5
Arranging for employment service registration	27	27	23	17	6	4
Arranging for training in job search skills	22	-	22	20	2	-
Canvassing other employers for job openings	30	30	26	20	6	4
Inviting other firms to conduct interviews	9	9	8	6	2	1
Providing other services	14	14	10	7	3	4

1/ Data on layoffs were reported by employers in Alabama, Arizona, Arkansas, Massachusetts, Texas, Washington, and Wisconsin. Data for Wisconsin are for October-December 1985.

NOTE: Dash represents zero or rounds to zero.

Table 5. Mass layoffs, separations, and initial claims for unemployment compensation by selected industries, July-December 1985

Industry	Number of establishments	Layoff events	Separations	Initial claims for unemployment compensation
Total, all industries1/.....	248	271	67,800	49,327
Agriculture.....	8	8	2,287	1,358
Nonagriculture.....	240	263	65,513	47,969
Manufacturing.....	181	200	47,188	37,667
Durable goods.....	126	143	36,446	30,598
Nondurable goods.....	55	57	10,742	7,069
Nonmanufacturing.....	59	63	18,325	10,302
Mining.....	4	4	659	632
Construction.....	21	23	6,598	5,476
Wholesale and retail trade.	8	8	3,013	1,159
Wholesale trade.....	3	3	436	323
Retail trade.....	5	5	2,577	836
Services.....	12	13	2,966	1,287
Government.....	9	10	3,628	1,019
Other nonmanufacturing.....	5	5	1,461	729

1/ Data on layoffs were reported by employers in Alabama, Arizona, Arkansas, Massachusetts, Texas, Washington, and Wisconsin. Data for Wisconsin are for October-December 1985.

Table 6. Mass layoffs, separations, and initial claims for unemployment compensation by reason for separation, July-December 1985

Reason for separation	Layoff events	Separations	Initial claims for unemployment compensation
Total, all reasons1/..	271	67,800	49,327
Slack work.....	113	26,593	21,055
Seasonal work.....	48	12,461	5,613
Contract completion.....	33	10,730	7,654
Overseas relocation.....	27	7,094	6,854
Import competition.....	12	2,876	2,376
Bankruptcy.....	9	1,995	1,749
Contract cancellation....	7	961	571
Vacation period.....	4	588	530
Material shortages.....	3	723	550
Labor-management dispute.	3	821	552
Plant or machine repairs.	3	288	282
Other reasons.....	9	2,670	1,541

1/ Data on layoffs were reported by employers in Alabama, Arizona, Arkansas, Massachusetts, Texas, Washington, and Wisconsin. Data for Wisconsin are for October-December 1985.

Table 7. Establishments providing notification of layoff events to outside parties by type and length of separation notice, July-December 1985

Parties receiving notice	Advance general notice		Advance specific notice of more than 1 day	
	Number of establishments	Average days of notice	Number of establishments	Average days of notice
Total, all establishments1/.....	85	-	85	-
Union officials.....	42	38	26	9
State and local government officials..	65	22	28	18
Press and other news media.....	27	44	8	34
Community groups.....	12	50	4	5

1/ Data on layoffs were reported by employees in Alabama, Arizona, Arkansas, Massachusetts, Texas, Washington, and Wisconsin. Data for Wisconsin are for October-December 1985.

Table 8a. Mass layoffs, separations, and initial claims for unemployment compensation in Alabama, July-December 1985

Characteristic	Number of establishments	Layoff events	Separations	Initial claims for unemployment compensation
Total, all industries	52	54	9,493	6,884
Manufacturing	42	43	6,410	5,149
Nonmanufacturing	10	11	3,083	1,735
Reason for separation:				
Slack work	22	23	3,176	2,497
Contract completion	10	10	2,381	1,845
Seasonal work	7	7	1,040	895
Other reasons	13	6	2,896	1,647

Table 8b. Mass layoffs in Alabama by type and length of separation notice and other selected characteristics, July-December 1985

Characteristic	Number of establishments	Layoff events				
		Total	With advance general notice		With specific notice of more than 1 day	
			Number	Average days of notice	Number	Average days of notice
Total, all industries	52	54	15	45	30	19
Manufacturing	42	43	(1)	(1)	23	21
Nonmanufacturing	10	11	(1)	(1)	7	12
Part of larger corporate entity	37	39	12	50	23	22
Not part of larger corporate entity	15	15	3	21	7	9
Provided reemployment services	16	17	6	62	10	35
Did not provide reemployment services	36	37	9	33	20	10

1/ Data do not meet BLS or State agency disclosure standards.

Table 9a. Mass layoffs, separations, and initial claims for unemployment compensation in Arizona, July-December 1985

Characteristic	Number of establishments	Layoff events	Separations	Initial claims for unemployment compensation
Total, all industries	22	27	7,629	5,773
Manufacturing	13	17	4,477	4,282
Nonmanufacturing	9	10	3,152	1,491
Reason for separation:				
Slack work	10	15	4,307	4,015
Contract completion	7	7	2,436	930
Other reasons	5	5	886	828

Table 9b. Mass layoffs in Arizona by type and length of separation notice and other selected characteristics, July-December 1985

Characteristic	Number of establishments	Layoff events				
		Total	With advance general notice		With specific notice of more than 1 day	
			Number	Average days of notice	Number	Average days of notice
Total, all industries	22	27	3	119	20	21
Manufacturing	13	17	3	119	14	18
Nonmanufacturing	9	10	-	-	6	29
Union	4	4	-	-	(1)	(1)
Nonunion	18	23	3	119	(1)	(1)
Part of larger corporate entity	17	21	3	119	17	21
Not part of larger corporate entity	5	6	-	-	3	21
Provided reemployment services	11	14	3	119	16	15
Did not provide reemployment services	11	13	-	-	10	27

1/ Data do not meet BLS or State agency disclosure standards.
NOTE: Dash represents zero or rounds to zero.

Table 10a. Mass layoffs, separations, and initial claims for unemployment compensation in Arkansas, July-December 1985

Characteristic	Number of establishments	Layoff events	Separations	Initial claims for unemployment compensation
Total, all industries	23	26	6,008	5,064
Manufacturing	(1)	(1)	(1)	(1)
Nonmanufacturing	(1)	(1)	(1)	(1)
Reason for separation:				
Slack work	15	15	2,878	2,425
Other reasons	8	11	3,130	2,639

1/ Data do not meet BLS or State agency disclosure standards.

Table 10b. Mass layoffs in Arkansas by type and length of separation notice and other selected characteristics, July-December 1985

Characteristic	Number of establishments	Layoff events				
		Total	With advance general notice		With specific notice of more than 1 day	
			Number	Average days of notice	Number	Average days of notice
Total, all industries	23	26	6	21	14	17
Manufacturing	(1)	(1)	6	21	(1)	(1)
Nonmanufacturing	(1)	(1)	-	-	(1)	(1)
Union	11	14	3	27	7	17
Nonunion	12	12	3	15	7	17
Part of larger corporate entity	17	19	(1)	(1)	10	18
Not part of larger corporate entity	6	7	(1)	(1)	4	14
Provided reemployment services	6	6	(1)	(1)	6	19
Did not provide reemployment services	17	20	(1)	(1)	8	16

1/ Data do not meet BLS or State agency disclosure standards.
NOTE: Dash represents zero or rounds to zero.

Table 11a. Mass layoffs, separations, and initial claims for unemployment compensation in Massachusetts, July-December 1985

Characteristic	Number of establishments	Layoff events	Separations	Initial claims for unemployment compensation
Total, all industries	27	32	10,350	5,991
Manufacturing	20	25	8,108	5,422
Nonmanufacturing	7	7	2,242	569
Reason for separation:				
Slack work	13	17	6,259	4,289
Seasonal work	6	6	2,462	944
Other reasons	8	9	1,629	758

Table 11b. Mass layoffs in Massachusetts by type and length of separation notice and other selected characteristics, July-December 1985

Characteristic	Number of establishments	Layoff events				
		Total	With advance general notice		With specific notice of more than 1 day	
			Number	Average days of notice	Number	Average days of notice
Total, all industries	27	32	16	50	16	29
Manufacturing	20	25	(1)	(1)	13	33
Nonmanufacturing	7	7	(1)	(1)	3	11
Union	12	13	5	35	6	21
Nonunion	15	19	11	56	10	34
Part of larger corporate entity	11	13	11	62	11	33
Not part of larger corporate entity	16	19	5	21	5	21
Provided reemployment services	16	21	13	51	12	27
Did not provide reemployment services	11	11	3	44	4	35

1/ Data do not meet BLS or State agency disclosure standards.

Table 12a. Mass layoffs, separations, and initial claims for unemployment compensation in Texas, July-December 1985

Characteristic	Number of establishments	Layoff events	Separations	Initial claims for unemployment compensation
Total, all industries	61	66	17,715	15,839
Manufacturing	39	42	11,07[illegible]	9,892
Nonmanufacturing	22	24	6,6[illegible]	5,947
Reason for separation:				
Slack work	28	30	7,557	6,381
Overseas relocation	15	17	4,666	4,546
Contract completion	8	9	3,899	3,360
Other reasons	10	10	1,593	1,552

Table 12b. Mass layoffs in Texas by type and length of separation notice and other selected characteristics, July-December 1985

Characteristic	Number of establishments	Layoff events				
		Total	With advance general notice		With specific notice of more than 1 day	
			Number	Average days of notice	Number	Average days of notice
Total, all industries	61	66	36	31	25	23
Manufacturing	39	42	31	29	21	17
Nonmanufacturing	22	24	5	43	4	53
Union	21	24	14	29	13	18
Nonunion	40	42	22	32	12	29
Part of larger corporate entity	36	39	25	26	16	30
Not part of larger corporate entity	25	27	11	43	9	11
Provided reemployment services	20	21	14	38	11	28
Did not provide reemployment services	41	45	22	27	14	20

Table 13a. Mass layoffs, separations, and initial claims for unemployment compensation in Washington, July-December 1985

Characteristic	Number of establishments	Layoff events	Separations	Initial claims for unemployment compensation
Total, all industries	26	29	9,829	6,155
Manufacturing	20	23	8,039	5,642
Nonmanufacturing	6	6	1,790	513
Reason for separation:				
Seasonal work	6	6	2,933	674
Slack work	7	7	1,974	1,082
Contract completion	4	6	1,864	1,489
Other reasons	9	10	3,058	2,910

Table 13b. Mass layoffs in Washington by type and length of separation notice and other selected characteristics, July-December 1985

Characteristic	Number of establishments	Layoff events				
		Total	With advance general notice		With specific notice of more than 1 day	
			Number	Average days of notice	Number	Average days of notice
Total, all industries	26	29	19	64	12	11
Manufacturing	20	23	16	61	12	11
Nonmanufacturing	6	6	3	78	-	-
Union	22	25	16	72	(1)	(1)
Nonunion	4	4	3	21	(1)	(1)
Part of larger corporate entity	19	22	16	61	(1)	(1)
Not part of larger corporate entity	7	7	3	79	(1)	(1)
Provided reemployment services	8	9	8	122	4	23
Did not provide reemployment services	18	20	11	22	8	5

1/ Data do not meet BLS or State agency disclosure standards.
NOTE: Dash represents zero or rounds to zero.

Table 14a. Mass layoffs, separations, and initial claims for unemployment compensation in Wisconsin, October-December 1985

Characteristic	Number of establishments	Layoff events	Separations	Initial claims for unemployment compensation
Total, all industries	37	37	6,776	3,621
Manufacturing	25	25	3,318	2,418
Nonmanufacturing	12	12	3,458	1,203
Reason for separation:				
Seasonal work	23	23	4,992	2,207
Overseas relocation	5	5	805	678
Other reasons	9	9	979	736

Table 14b. Mass layoffs in Wisconsin by type and length of separation notice and other selected characteristics, October-December 1985

Characteristic	Number of establishments	Layoff events				
		Total	With advance general notice		With specific notice of more than 1 day	
			Number	Average days of notice	Number	Average days of notice
Total, all industries	37	37	(1)	(1)	25	8
Manufacturing	25	25	(1)	(1)	18	6
Nonmanufacturing	12	12	(1)	(1)	7	13
Union	26	26	(1)	(1)	18	7
Nonunion	11	11	(1)	(1)	7	10
Part of larger corporate entity	12	12	(1)	(1)	7	4
Not part of larger corporate entity	25	25	(1)	(1)	18	10
Provided reemployment services	-	-	(1)	(1)	-	-
Did not provide reemployment services	37	37	(1)	(1)	25	8

1/ Data do not meet BLS or State agency disclosure standards.
NOTE: Dash represents zero or rounds to zero.

APPENDIX D

Summary of Case Studies of Plant Closings

Subcommittee on Private Response
of the Task's Force on Economic
Adjustment and Dislocated Workers

Summary of Case Studies of Plant Closings

In all, there were 16 case studies. Seven of these closings took place during calendar year 1984, three during 1985, and one plant closed in April 1986. Of the remainder, there was one in each of the years 1983, 1982, 1980, 1972, and 1962. Table I lists the companies, their location, date of closing, number of employees involved, and the representing union, if any.

The numbers of workers effected at the time of closing ranged from a low of 48 (Judson Printing) to a high of 5,836 (General Motors, Fremont). The median number of workers was 1000.

It is difficult and risky to draw any general conclusions from these case studies. There is no way of knowing whether these case studies are representative of the universe of all plant closings during the time period covered. In fact, it is most likely that they are not representative. Each of the cases has its unique characteristics in terms of timing, location, numbers and kinds of workers effected, etc. Hence, comparisons among the studies cannot lead to defensible conclusions. None of the studies included any kind of control group comparisons from which conclusions about the effectiveness of various programs, benefits, and treatments could be drawn. The closest one might come to a valid comparison would be that between the closure of the Ford plant in San Jose, California in May of 1983 and the closure of the General Motors plant in Fremont, California in February of 1982.

Both the Ford and General Motors closures were big - 2400 workers in the Ford case and 5800 in the GM case; both were located in the San Francisco Bay area of California just a few miles apart, they were in the same industry; and the closures took place about 13 months apart. The Ford closure took place with six months advance notice and with excellent cooperation between union and management, while the GM closure provided very little advance notice and a hostile union - management environment. Unfortunately, these two closures have not been studied in a comparative context. However, it may be indicative of the success of the Ford model that in July and August of 1985 (about 2 years after closure) 16.9 percent of the effected workers were unemployed, while in December 1983 (22 months after closure) 40 percent of the GM - Fremont workers were unemployed.

Table 2 provides a brief summary of some aspects of these case studies. In at least 13 of the 16 cases, workers were represented by unions. In only one case, the GM-Fremont closure, could the extent of union - management cooperation be characterized as not good. Twelve of the 16 cases involved advance notice of at least 3 months, 9 of them gave 6 months or more notice, and 2 of them gave a 2 year notice.

A general impression that one can get from reviewing these cases is that advance notice of 6 months or more when coupled with no loss of severance benefits for early leaving and aggressive joint labor-management out placement effort is effective in accelerating worker adjustment. This is particularly evident from the success achieved in the Ford case relative to the GM case and also in the success of the Judson Printing case once workers were allowed to keep rights to severance benefits even if they left the company before the date of closure.

Finally, in most of the cases these plants were having difficulties long before closure with work forces having been reduced substantially in the years prior to closure. None of the cases included any information on the adjustment, or lack thereof, of workers who had lost their jobs prior to closure and who may not have had access to some of the programs and benefits available to those who remained at the time of closure.

TABLE I. List of Case Studies

COMPANY	UNION
International Harvester - Corporate Headquarters (Chicago, Illinois) Announced sale of agricultural equipment business on 23 January 85 employees: 400 upper and mid-level managers.	UAW
International Harvester (Louisville, Kentucky) Announced on 11/18/83 that would close on 3/30/84 727 employees	UAW
Levi Strauss & Company (Dennison, Texas) closed October 1984, announcement June, 19, 1984 296 employees	
GTE - Lenkurt (San Carlos, Ca.) announced a transfer of operations on 6/9/83 - plant closed on 3/16/84 - employees terminated along the way with minimum 30 days notice 200 employees - engineers, designers, marketing specialists.	
ARMCO Steelworkers (Houston, Texas) Announced 10/24/83 - closed January 84 1,100 employees	USW
Ford (San Jose, Ca) announced on 11/18/82 closed on 5/20/83 2,386 employees	UAW

TABLE I

COMPANY	UNION
Judson Printing (King of Prussia, Pa.) announced June 1984 closed November 1985 48 employees	3 Printing Trades Union
Allied Corporation Amphenol Division (Five plants located in Franklin, In., Cicero, IL; Burlington, Mass; and Hollywood, Fla.) Announced in late 1983, took place throughout 1984. 1,283 employees.	Chemical Workers
Brown and Williamson (Louisville, Kentucky) announced Jan. 18, 1979, closed 18 months later. 3000 employees	Bakery & Tobacco & Machinists
Electrolux Corp. (Greenwich, Conn.) announced 11/28/84, closed 5/31/85 850 employees	No union, but labor-management joint committees
Firestone Tire (Albany, Ga.) announced 10/85 closed 4/86 2,050 employees	Rubber Workers
Armour and Co. (Fort Worth, Texas) announced March, 1962, closed December 1962 1000 employees	

TABLE I

COMPANY	UNION
Dana (Edgerton, Wisconsin) closed 1972 1,580 employees	UAW
Johnson & Johnson (Chicago, IL.) announced 1982, closed 1984 800 employees	ACTW
Ciba-Geigy (Cranston, R.I.) announced 1983, closed 1985	Chemical Workers
General Motors (Fremont, California) announced Feb. 1982 an indefinite period of closure with 3 weeks notice. Final decision to close permanently, April 1983. 5,836 employees	UAW

TABLE 2. Case Studies of Plant Closings Summaries

Company	Union	Location	No. of Workers	Date Closed	Advanced Notice	Age of Workers	Other Worker Characteristics	Union-Management Cooperation
International Harvester Headquarters		Chicago	400	announced Jan. 85		40% over 45, large no. between 40-45	Upper-mid-level managers 70% male, median 9 years service	
International Harvester	UAW	Louisville Kentucky	727	3/30/84	4 1/2 mos.		98% male, 87% hourly workers	Good
Levi Strauss		Dennison, Texas	296	October, 1984	4 1/2 mos.	average 39 years	90% female, 1/2 had over 9 years service 1/2 had high school or better	
ARMCO Steel-workers	USW	Houston, Texas	1,100	Jan. 1984	3 mos.		90% male, 80% hourly, 40% minority, long service w/company	Good

Company	Union	Location	No. of Workers	Date Closed	Advanced Notice	Age of Workers	Other Worker Characteristics	Union-Management Cooperation
Ford	UAW	San Jose, Ca.	2,386	5/20/83	6 mos.	average age of hourly workers, 42	88% hourly workers, 69% more than 10 years service, 33% Hispanic, 12% black	Good
GTE-Lenkurt	IBEW	San Carlos, Ca.	2,000	3/16/84	8 1/2 mos.		more than 1/2 over 45, 50% female, most lived within 10 miles of plant	Good
Judson Printing	Pressman Typographic, Artists unions	King of Prussia, Pa.	48	November 1985	18 mos.		average tenure 17 years, skilled workers - printers, binders, typesetters etc.	Good
Allied Corporation	yes	5 Plants: Franklin Ind., Cicero, Ill., Burlington, Mass., Hollywood, Fla.	1,283	Throughout 1984	Very little			

Company	Union	Location	No. of Workers	Date Closed	Advanced Notice	Age of Workers	Other Worker Characteristics	Union-Management Cooperation
Brown and Williamson	Bakery Confectionary, & Tobacco Workers and IAM	Louisville, Kentucky	3,000	11/18/79	2 years			
Electrolux Corp.	None	Old Greenvich, Conn.	850	June 1985	6 mos.			
Firestone Tire	Rubber Worker	Albany, Ga.	2,050	April 1986	6 mos.			
Armour & Co.	yes	Fort Worth, Texas	1,000	December 1962	9 mos.			
Dana	UAW	Edgerton, Wisconsin						

Company	Union	Location	No. of Workers	Date Closed	Advanced Notice	Age of Workers	Other Worker Characteristics	Union-Management Cooperation
Johnson & Johnson	Amalgamated & Clothing Textile Workers	Chicago	800	1984	2 years			
Ciba-Geigy	Chemical Workers	Cranston, R.I.	1,200	1985	2 years			
General Motors	UAW	Freemont, Ca.	5,836	Indefinite in Feb., 1982, Permanent in April 1983	3 weeks prior to indefinite closure			Not good

APPENDIX E

Summary of Recent Studies of

Private Sector Practices in Plant Closings

SUMMARY OF RECENT STUDIES OF PRIVATE SECTOR PRACTICES IN PLANT CLOSINGS
SUBMITTED BY JAY FOREMAN AND DONALD F. EPHLIN
PREPARED BY MARK LEVINSON FOR THE PRIVATE SECTOR SUBCOMMITTEE

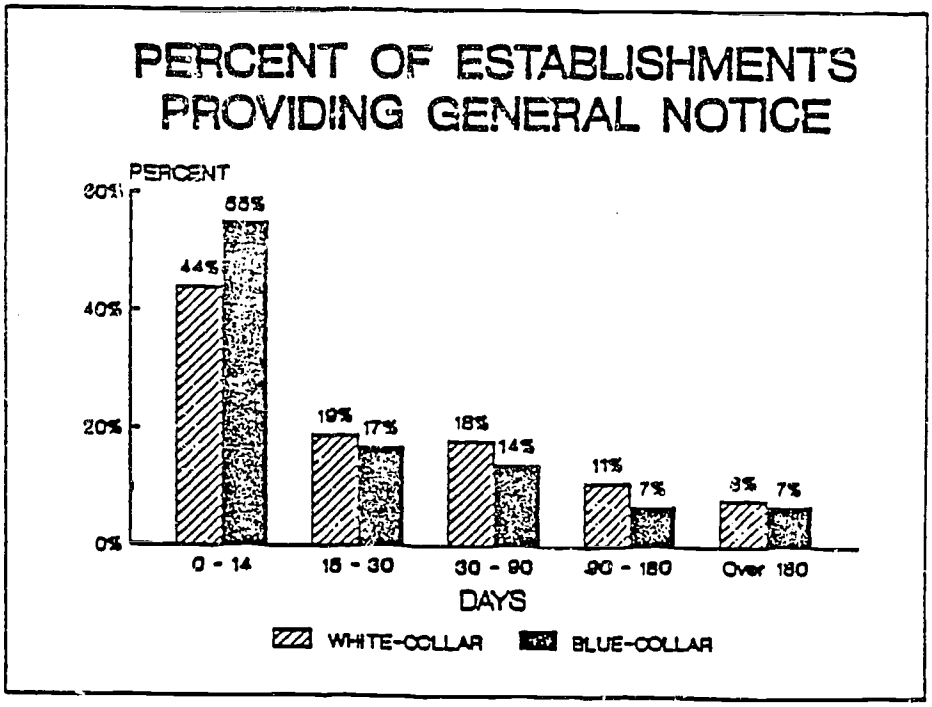
There are several studies of private sector practices in plant closings. The most comprehensive study is the General Accounting Office's U.S. Business Closures and Permanent Layoffs During 1983 and 1984. Another recent study is the Conference Board's Company Programs to Ease the Impact of Shutdowns.

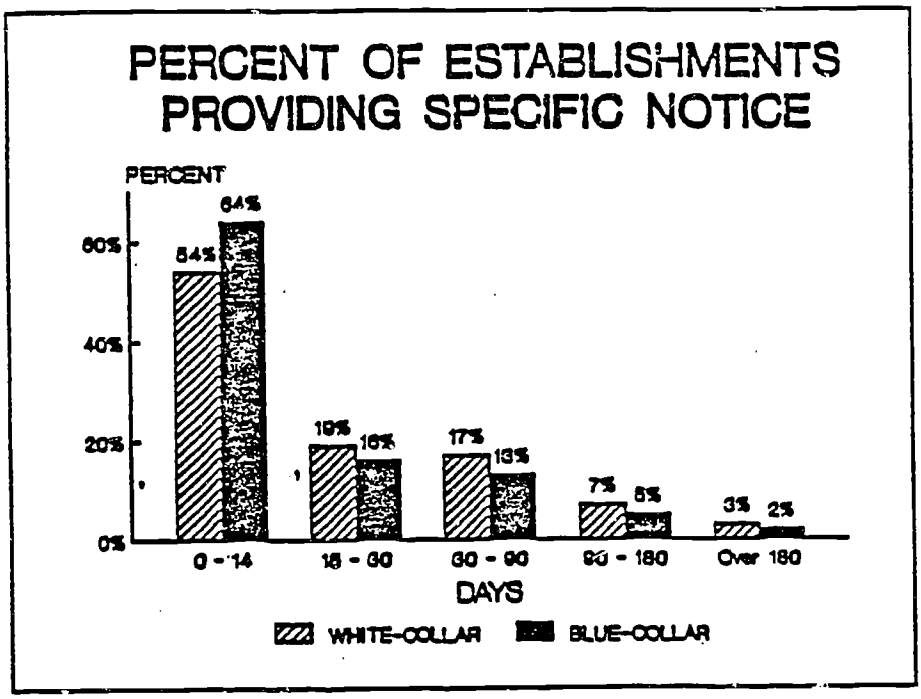
Before summarizing the results of these studies it is important to understand their different methodologies.

GAO's preliminary results are based on a 60 percent response rate of firms in a stratified random sample. Thus GAO's figures are a statistically valid representation of the establishments in the sample — establishments of more than 100 employers that had plant closings or mass layoffs in the two years 1983 and 1984. According to the GAO, in these two years, over 1 million workers in establishments of over 100 workers lose their job due to plant closings or a mass layoff. The Conference Board's figures are based on a 27 percent response rate to a questionnaire that was mailed out to human resource vice presidents of 1,900 U.S. companies, which were not randomly selected. According to the Office of Technology Assessment, "The GAO survey is the first work done by statistically valid methods that provide national information on the extent of advance notice given to workers who lost their jobs in plant closings and permanent mass layoffs . . . The Conference Board figures thus probably represent best practice of large firms rather than typical practice."

Advance Notice (GAO)

The GAO study defined two kinds of advance notice — general and specific. General advance notice is intended to provide workers and the community with advanced warning but does not specify the exact date or the particular workers to be affected. A specific notice, on the other hand, informs workers that their employment will be terminated on a specific date.





- *Only 14% of businesses that reported a closing gave their blue collar workers more than 90 days warning of a possible closure or permanent layoff. Only 7% of businesses gave blue collar workers specific notice of more than 90 days. 19% of white collar workers received more than 90 days general notice, and 10% received specific notice of more than 90 days.*

- *30% of businesses gave blue collar workers no specific notice at all, while 26% of businesses provided no specific notice for white collar workers.*

Advance Notice (Conference Board)

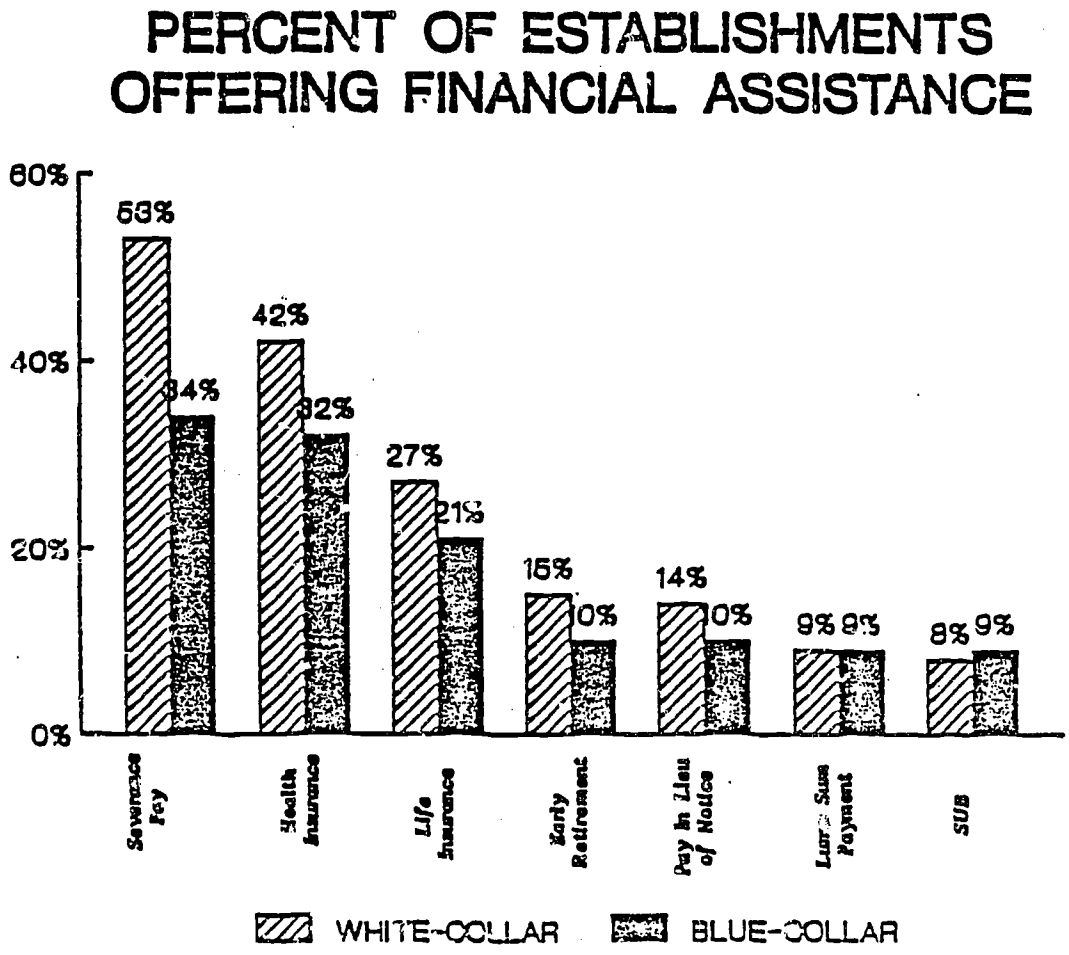
- *12% of respondents gave no notice.*

- *Over half of the shutdowns were announced three months in advance.*

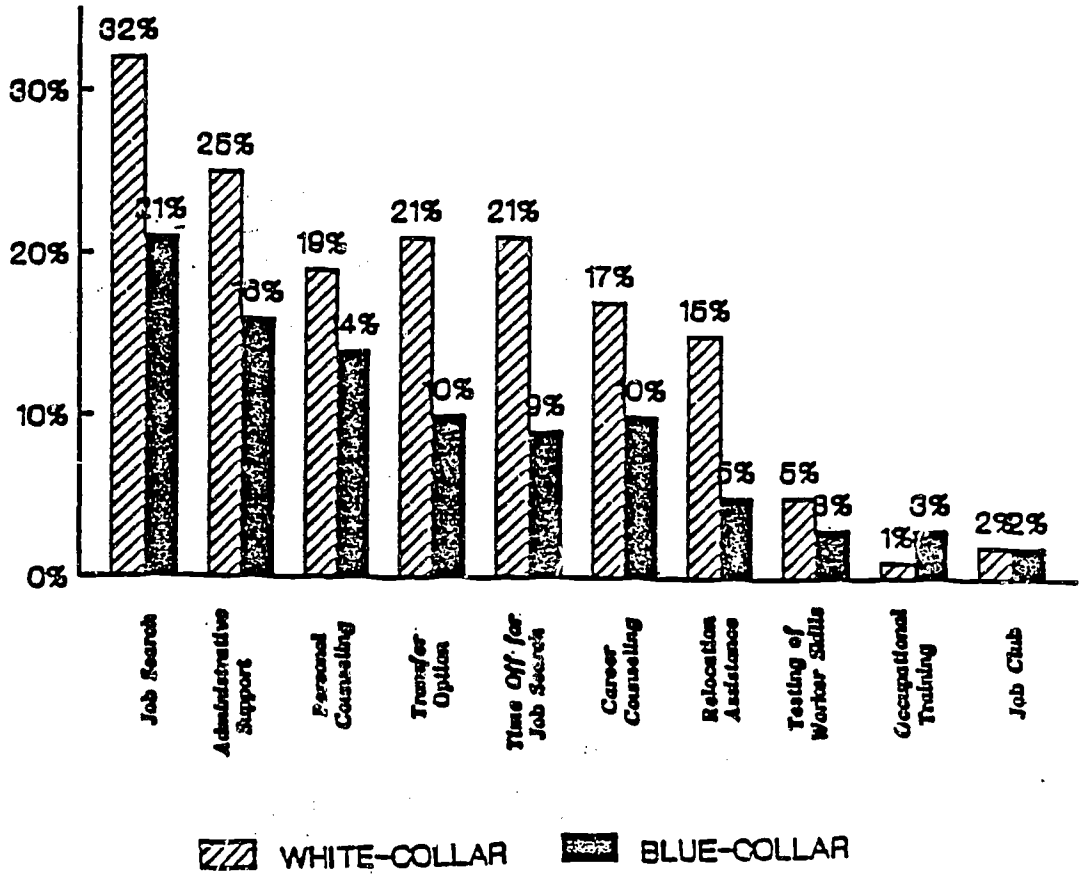
- *24% notified their employees more than six months in advance.*

Assistance to Workers (GAO)

The types of assistance offered to workers is detailed in the following two graphs.



PERCENT OF ESTABLISHMENTS OFFERING PLACEMENT ASSISTANCE



- *The GAO found that 40% of establishments offered their employees at least some form of both financial and placement assistance, however, 36% of the establishments offered neither.*

- *64% of establishments which closed or experienced a permanent layoff provided some assistance to dislocated workers. The most common forms of financial assistance offered by employers to their workers were severance pay (54%) and continuation of health insurance (43%).*

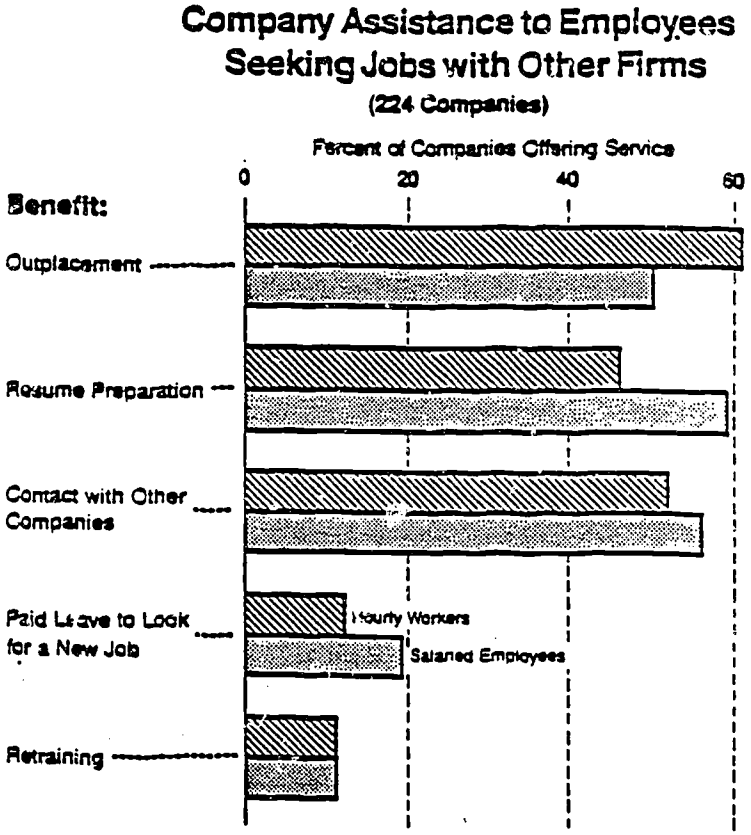
- *The most common forms of placement assistance were job search assistance (31%) and administrative support for job search (26%). Occupational training, job clubs, testing and assessment of worker skills and retraining, were seldom offered.*

- *Employers were more likely to offer financial and placement assistance to white collar workers than to blue collar workers. For example, 53% of employers offered severance pay to white collar workers, but only 34% offered severance pay to blue collar workers. Another assistance measure shows that 42% offered continued health insurance to white collar workers as compared to 32% for blue collar workers.*

- *Similarly, three times as many employers offered relocation assistance to white collar workers as they did for blue collar workers. Finally, twice as many employers offered company transfer options and time off for job search to white collar workers as compared to blue collar workers.*

- *A common concern of the business community is that employers will not be financially able to assist workers affected by closures and permanent layoffs. It would seem reasonable that businesses experiencing financial difficulties such as bankruptcy or financial reorganization could not offer assistance to their employees. However, only 7% of establishments the GAO studied indicated that they had experienced a bankruptcy or financial reorganization prior to the closure or layoff.*

Assistance to Workers (Conference Board)



- 79% of the firms reporting a closing offered extension of health benefits to displaced workers.
- Almost half of the companies (47%) provided three months' advance notice and some form of job search assistance.

Conclusion

While the Conference Board study shows that many of the country's major corporations provide notice and assistance, the GAO study, which is more representative of the entire U.S. economy, shows that the majority of workers receive little notice and assistance in the adjustment process.

APPENDIX F

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APPENDIX G

A Dissent by Richard McKenzie

ADJUSTMENT ASSISTANCE IN A COMPETITIVE SOCIETY: A DISSENT

Richard B. McKenzie

[Author's note: Because of strict space limitations for the minority report imposed by the Task Force, the following comments are unduly brief. However, the complete minority opinion is available from the author and is being published under the title of "A Misguided Search for a National Labor Policy" by the Center for the Study of American Business at Washington University in St. Louis.]

The Reagan White House and the business community in the country should pay special attention to the attached report developed by the Task Force on Economic Adjustment and Worker Dislocation. If taken seriously by the legislative process, that report will set back social policy two decades.

The Task Force is prepared to resurrect the 1960s delusion that social and economic ills can be readily remedied by Washington paternalism -- specifically, by more federal programs and direction of social policies at the state and local levels and, of course, by more federal expenditures and taxes. Make no mistake about it; the Task Force members mean business -- and mean to make businesses and workers pay.

The Task Force has spent the past year superficially studying worker displacement through mass layoffs and plant closings, primarily through a series of meetings held every one or two months at the Labor Department in Washington. The policy proclivities of the Task Force were reflected in the series of speakers who recounted how widespread the displaced-worker problem was during the early 1980s, and by the virtual absence of speakers who seriously criticized the methodological and philosophical validity of the statistical studies and the policy agendas suggested by the studies.

Unfortunately, the statistical and conceptual claims made in the Task Force's final report regarding the magnitude and causes of the displaced-worker problem reflect what many members assumed at the start and heard in the meetings. Nevertheless, many of the claims regarding the accelerating pace of structural change, the growing pervasiveness of the displaced-worker problem, the limited extent of termination benefits provided workers, and the deteriorating competitiveness of U.S. industries in general are subject to far more dispute than is suggested in the report. Such claims are little more than repeats of national industrial policy fallacies heard and soundly debunked a few years ago.

In short, as opposed to being an independent and balanced investigation of economic adjustment problems, the work of the Task Force has amounted to a social agenda in search of empirical and political justifications. And through creative "wordsmithing," an expansive federal labor policy agenda -- including proposals for a new federal agency, plant-closing "SWAT teams," and a variety of federally orchestrated retraining programs with a price tag of at least $900 million -- has all the appearances of being justified and validated.

Such policy proposals have three fundamental flaws. First, the Task Force never explains why worker displacement is a federal problem (as opposed to a state,

local, or individual problem) and largely ignores past federal retraining failures. Second, the social agenda is founded on the naive faith that an alteration of the bureaucratic structure of the U.S. Labor Department will produce a magical release of governmental energy and creativity heretofore unrealized. Third, nowhere in its report does the Task Force recognize that federal paternalism, resulting in progressively higher taxes and deficits, is a nontrivial part of the adjustment problems this country has faced. During the year of study, such matters as the perverse consequences of federal labor policies (including federal incentives for leaving the labor force) were never seriously investigated.

In making its retraining recommendations, the Task Force argues that workers will be getting, in the words of its chairman, "one heck of a bargain." The federal retraining/expenditure agenda will be sold to the American public in the same way Social Security has been sold, as an "insurance" program, a significant misnomer since the proposed programs will hardly be voluntary and benefits received will be totally unrelated to payments. The Task Force refuses to admit openly that its proposal amounts to just another social welfare (entitlement) program and a throwback to the 1960s, preferring to create a ruse that may cause workers to believe they will not be paying for the federal benefits they receive.

On financing its proposed new federal programs, the Task Force is actually divided (although the report may give the appearance that all members fully endorse one financing method). The report recommends that the $570 million in additional federal expenditures (which amounts to nothing more than a guess as to the actual additional cost) be taken from general revenues (or, more likely, added to "general deficits"). These members prefer to obscure the costs of their social agenda to workers and taxpayers altogether. They apparently fear that workers would not approve their proposals if they knew they had to pay directly any of the costs, which the members estimate (very likely, incorrectly) will be trivial on a per capita basis.

The Task Force repeatedly contends that its proposals are extraordinarily important to the future of the country. At the same time, it is unwilling to say "more important than what," that is, to specify exactly what other governmental programs should be given up. It imagines that Congress will be better prepared to make such difficult political decisions.

The Task Force concludes that if sufficient funding is not available from general revenues, "alternative methods of financing" should be sought, a political cop-out of major proportions. What the Task Force really means, but refuses to spell out in print, is that a new $570 million payroll (or import) tax should be imposed. In early drafts of the report, the Task Force considered recommending that three-quarters of the new payroll tax be covered by employers and one-quarter by employees. The faction supporting the payroll tax would have policymakers pretend that workers will overlook the prospects of their wages falling because of the payroll tax on their heads through collections made from their employers. However, by refusing to impose the entire tax directly on workers and seeking general revenue, the Task Force is again admitting, albeit implicitly, that the "jobs insurance policy" it recommends would not be accepted by workers, if they knew they had to cover the entire cost directly. The Task Force members have not fully specified how their agenda should be financed for one reason: the

specification of how the costs should be distributed will engender political opposition, as was the case when the payroll tax was openly cited in the report.

To their critics, the Task Force will likely respond that it is only asking for another $500 to $600 million dollars or so, unaware that it is asking for at least a 17 percent increase in the Labor Department's retraining budget and that almost all federal programs have started small with good intentions and rapidly expanded with much waste. Of course, readers of the Task Force's report are never told that many, if not a substantial majority of all, workers will get nothing for the taxes they will pay.

In effect, the Task Force assures us that "this time, things will be different." They forget that the restricted definition of "displaced workers" and the generality of the tax implicit in their policy agenda insure that things will be more or less the same. Many low-income workers who retain their jobs by holding their wages to competitive levels will often be subsidizing the displacement of higher-income workers who refuse to keep their wages in line with market forces.

In its report, the Task Force stops short of supporting federally imposed restrictions on plant closings. On the other hand, it asserts firms' moral and social obligations to provide greater advanced notice of plant closings, severance pay, and a variety of out-placement services for workers. The inevitable tradeoffs between employment termination benefits and worker wages is not recognized in the report. As a consequence, such benefits are effectively proffered as free to workers, which, contrary to the wishes of the members, will not be the case.

Small businesses, especially, are told they should do much more for their workers when plants are closed, or so the Task Force claims. The business members (but not the union members) appear to be unaware that asserted moral and social obligations are often quickly translated by Congress into legal responsibilities, often to the detriment of those citizens who are the object of concern.

In summary, the report of the Task Force on Worker Dislocation and Economic Adjustment is potentially dangerous. It focuses on a social problem, worker displacement, that no one denies exists, at least to some extent. Under the guise of seeking a more "humane society," however, the Task Force effectively treats all displaced workers as victims of markets that have presumably failed to an important degree, unwilling even to acknowledge that at least some workers have contributed to their own job losses and should not, therefore, be entitled to government largess. The Task Force fails to recognize individuals' and communities' responsibility to solve their own problems, and it recommends well-worn, Washington-based programs and taxes as solutions. Hopefully, the business community, the Reagan White House, and even workers will see the report for what it is, another misguided and counterproductive policy course that should be set aside.

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